

# Intellectual Property Forum

## Issue 113

Journal of The  
Intellectual Property  
Society of Australia  
and New Zealand Inc.

September 2018

Co-Editors  
Fiona Phillips  
Fiona Rotstein



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# Intellectual Property Forum

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## The Journal of The Intellectual Property Society of Australia and New Zealand Inc ABN 056 252 558

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Fiona Phillips  
Fiona Rotstein

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c/- National Secretariat

The Intellectual Property Society of Australia and New Zealand Inc  
GPO Box 2491

Melbourne Victoria 3001 Australia

Telephone: (+61 3) 9761 2833

Facsimile: (+61 3) 9761 2899

Email Address: [ipsanz@ipsanz.com.au](mailto:ipsanz@ipsanz.com.au)

Website: [www.ipsanz.com.au](http://www.ipsanz.com.au)

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#### Co-Editors

Fiona Phillips

Fiona Rotstein

c/- National Secretariat

The Intellectual Property Society of Australia and New Zealand Inc  
GPO Box 2491

Melbourne Victoria 3001 Australia

Telephone: (+61 3) 9761 2833

**Email: [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au)**

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  - b. the article is an original work of the contributor.
3. The contributor is responsible for the accuracy of the article including citations and references.
4. The following information must be included with the article:
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### Submission Dates for Contributions:

Journal Issue	Submission Dates
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March 2019	before 1 February 2019
June 2019	before 1 May 2019
September 2019	before 1 August 2019

The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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## 32nd IPSANZ Annual Conference

7-9 September 2018

The 32nd Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Hilton Queenstown Resort and Spa, New Zealand over the weekend 7- 9 September 2018.

### Friday

3:30 pm – 6:30 pm	Early Registration
4.45 pm – 5.45 pm	In-house Panel Session
6:00 pm – 8:00 pm	President's Welcome - Cocktail Evening

### Saturday

8:45 am – 9:15 am	Registration
9:15 am – 4:15 pm	Conference Sessions
6:30 pm – 10:30 pm	President's Dinner

### Sunday

9:00 am – 12:15 pm	Conference Sessions
12:15 pm – 2:00 pm	Lunch
2:00 pm	Close

See page 98 for full details

## Editorial – Fiona Phillips and Fiona Rotstein

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Fiona Phillips  
Co-Editor



Fiona Rotstein  
Co-Editor

Welcome to “the September issue” of *Intellectual Property Forum*. Readers familiar with fashion will know that for fashion magazines, the September issue is regarded as the most important of the year. It is the issue that forecasts trends for the coming year and attracts the largest readership and hence, advertising revenue. So significant is the September issue of American *Vogue* that in 2009, RJ Cutler made a film about the magazine’s production, simply called, *The September Issue*.

As a homage to the fashion world, this issue of *Intellectual Property Forum* takes a look at the intersection of intellectual property law and fashion. It also forecasts some of the trends in intellectual property law and practice.

We begin with a profile of the Honourable Justice Stephen Burley who reflects on his career at the Bar and makes some interesting predictions about the future of intellectual property law and practice. When asked by Fiona Phillips about his name featuring in the judgment of Justice McTiernan in *Berlei Hestia Industries Ltd v Bali Co Inc* (1973) 129 CLR 353 (in the context of explaining the pronunciation of the name of the appellant), His Honour responded:

*I am of course glad that my name has for a long time been associated with trade marks, even if in the context of women’s lingerie.*

To mark the retirement of the eminent and very stylish David Catterns QC, we include an extract from recent proceedings before the Honourable Justice Jagot in the Federal Court of Australia. The words of Justices Jagot and Burley, Tony

Bannon SC and Peter Banki reinforce what a significant contribution David Catterns QC has made to the practice of intellectual property law in Australia.

We are pleased to feature the winning entry of the 2018 John McLaren Emmerson QC Essay Prize. In her essay, *The Fearless Girl and the Charging Bull: Does Public Art Wave a Red Flag for Moral Rights?*, Bethany Larum uses the recent controversy over the *Fearless Girl* sculpture in New York as a vehicle to examine the implications of moral rights protection for public art and freedom of expression. Larum’s essay certainly captures the zeitgeist and is a fitting inclusion in the September issue.

Three-dimensional printing technology has huge implications for the fashion industry and beyond. In *Designs Law and 3D Printing: Global Issues in the Local Context of Australia*, Bram Van Wiele examines 3D printing from the perspective of Australian designs law. As Van Wiele notes, most of the scholarship on 3D printing to date has focused on copyright law. In his article, Van Wiele raises complex issues about the registered designs system. He also considers how 3D printing

has altered the manufacture and distribution of products and queries whether the registered designs system lends itself to use by members of the general public. Finally, he raises some challenges for reform of the designs regime in Australia.

In her article *From Fast Fashion to Wearable Technology – the intersection of design, innovation, and the law in New Zealand*, Lauren Butchers looks at fashion and technology and considers how New Zealand intellectual property law can be used to protect wearable technology. As Butchers notes, this is a growing market but it does not readily lend itself to traditional approaches to intellectual property protection.

Clive Elliott's survey of *Recent Developments in IP in New Zealand* is the "fashion forecasting" part of the issue. By looking at recent developments in New Zealand and comparing them with the corresponding Australian law, Elliott provides an invaluable insight for intellectual property professionals on either side of the Ditch. He also brings together some of the themes dealt with elsewhere in this issue. For example, the discussion of designs law in Van Wiele and Butchers' articles, issues regarding the innovation patent system referred to by Justice Burley and the review of recent patent cases in the update by Cordiner, Heerey and Nash.

Our forecasting then shifts to Europe, with a piece on *The Territoriality of Copyright in the Digital Single Market: A Closer Look at the Proposed Broadcaster Regulation* by Brussels-based, Ted Shapiro. Shapiro's explanation of the status of the European Union ("EU") Broadcasting Proposal provides an illuminating insight into the EU law-making process.

We then stop to take stock and consider the *Patent Cooperation Treaty at 40*, before reviewing a new book on *Cross-Border Copyright Licensing* (a growing trend). Alison McGinn then provides a report on this year's INTA Conference in Seattle, the birthplace of "grunge".

This issue is also brimming with current developments, including the IP Australia consultation on the Exposure Draft *Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018* (Cth), changes to the patent grace period in Japan, new trade secrets law in France and some recent intellectual property decisions from the Supreme Court of the United States of America.

In keeping with the theme of the September issue, a number of the updates relate to shape and colour marks. For example, the Federal Court of Australia's decision regarding Frucor's "V Green" trade mark, the decision of the Court of Justice of the European Union ("CJEU") in relation to Kit Kat's four-finger shape mark, and the CJEU decision upholding the validity of Christian Louboutin's red sole as a colour mark.

As foreshadowed in previous issues, we have recently completed a review of *Intellectual Property Forum*. As a result of the review, you are likely to see some changes in the format of the journal, however we propose to keep the content largely the same. That said, we are mindful that this is the journal of IPSANZ members and we encourage you to share your ideas by emailing us at [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au). We always welcome your feedback and contributions.



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# In Conversation with the Honourable Justice Stephen Burley

Fiona Phillips

**A** long time friend of IPSANZ, the Honourable Justice Stephen Burley was appointed to the Federal Court of Australia in May 2016. He sat down with Fiona Phillips to reflect on his career at the Bar and offer some insights on the practice of intellectual property.



*Hon Justice Stephen Burley*

*Photo by Gillianne Tedder 2017*

**Q:** Let's start at the beginning. What initially drew you to study law?

**A:** I learned while I was at primary school that there was a job where you got paid to argue. I don't know why, but that idea clung to me from then on and developed into a desire to become a barrister.

I had no idea what the law involved. No one in my family was a lawyer. My father was a scientist, so it was very much a science-oriented household. But I guess maybe I am slightly contrarian, and being the youngest of three siblings (the elder two both having done science) I was attracted to doing something different and law appealed to me. From that early day I wanted to be a barrister, and as I learned more what law was, it did not repel me and so I continued with the idea.

**Q:** And is it true, that it was the euphonium that drew you to intellectual property?

**A:** Well everything good in the world really comes from the euphonium. I think we all know that.

I played a lot of music while I was at school and afterwards and my instrument was the euphonium. When I was at university, people mentioned to me that there was an area of intellectual property law which dealt with music. That piqued my interest.

I should mention that that was not the only suggestion. I also worked in a service station part-time and the mechanic there suggested that I become a service station lawyer.

Eventually I decided that I would do the intellectual property elective at university and I enjoyed that. And that, one way or another, may be regarded as the beginning of my interest in intellectual property.

**Q:** A love of music is quite common among intellectual property lawyers. Why do you think that is so?

**A:** There's a leading component in that question. I think it is right that a lot of intellectual property lawyers like the arts, but I think that applies to most lawyers. I suppose that dealing with the subject matter of your recreational interest is quite fun. Like the overlap between copyright and the euphonium.

**Q:** While at the New South Wales Bar, you practised in all areas of intellectual property. Did you have a favourite?

**A:** That's bit like choosing between your children. They're all favourites, but in their own special ways.

I think that patent law gives you an opportunity to do a deep-dive into an area of technology and so you are quite often meeting engineering types or scientists who have put into practical use some idea, and that's fascinating because of the technical side of it and the way that people have tried to commercialise it.

Trade marks are seductive in the sense that they start off looking easy, but the law involves some of the more conceptually challenging areas. For example, the notion of "inherently adapted to distinguish" for trade marks sounds simple but it's not. And if you overlay that type of issue with the complexities of litigation: the claim for infringement, the cross-claim for invalidity based on prior use etc., it becomes a tangled web which is quite fascinating.

Of course the creative arts, which is the popular attraction of copyright also has its appeal. And then designs is another area of application.

It is too difficult to choose between them. I decline.

**Q:** Your name is mentioned in the judgment of Justice McTiernan in *Berlei Hestia Industries Ltd v Bali Co Inc* (1973) 129 CLR 353 (in the context of explaining the pronunciation of the name of the appellant). Is that your favourite case?

No. Although I am of course glad that my name has for a long time been associated with trade marks, even if in the context of women's lingerie.

**Q:** You appeared as counsel in a number of landmark cases, from *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* [2002] FCAFC 273 to *Ice TV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14 and, of course, *Apple v Samsung* [2011] FCA 1164. What has been the standout?

**A:** The first intellectual property case that I did by myself was *Blount Inc v The Registrar of Trade Marks* [1998] FCA 440 in which Justice Branson gave the decision. I knew so little at the time and I remember sweating the detail of it. It gets cited quite a lot, even now. I am quite fond of that case just because of the historical perspective it gives me.

I really enjoyed *Delnorth Pty Ltd v Dura-Post (Aust) Pty Ltd* [2008] FCA 1225 which was the first decision under the (soon to be abolished) innovation patent regime. One of the things that appealed to me in that case was the opportunity to contend for a development in the law, which was consistent with my client's interests, in a way which was conceptually in alignment with the rest of the *Patents Act* 1990 (Cth). I was trying to argue that an innovative step involves something that could be at least aligned with the concept of "invention" as understood in the authorities. Unfortunately, that invitation (no doubt, correctly because of the way the legislation was drafted) wasn't taken up and it became a very superficial test for innovative step which meant it stacked the cards in favour of the patentee more than what was probably intended. So I am not surprised that the innovation patent regime is to be abolished.

All of the cases that you mentioned were memorable. I had a lovely run with Annabelle Bennett in *New England Biolabs v Hoffman La Roche* which led to about 12 cases and went on for about a decade. And of course *Apple v Samsung* is the biggest and boldest of the lot, that was probably the career highlight.

**Q:** A common criticism is that technology moves too fast for the legislature. What is your view of the role of the common law in the development of intellectual property in Australia? Is it necessarily more agile than statute?

**A:** The conceptual basis for intellectual property legislation does provide a platform from which to deal with different technologies. And that's one of the great things about the practice of intellectual property. It enables the parties to argue their respective positions having regard to the overall framework of the rights protected, without being technology dependent. This allows for a degree of flexibility within decision making.

**Q:** Even, so we have landed up with quite rule-based legislation.

**A:** It depends on which discipline you are talking about. Certainly, some legislation is prescriptive, such as the site-blocking provisions under s.115A of the *Copyright Act* 1968 (Cth). Sometimes there are particular imperatives for legislation to be drafted to address a problem that the existing law has not been able to accommodate. Section 115A isn't a bad example – in that it deals with the problem of preventing access of potential infringers to sites located overseas that facilitate copyright infringement. But generally speaking, I think that the breadth of the concepts protected by IP legislation is such that the common law adaptation of those concepts within the ambit of the legislation works well enough and enables the law to work in a way which doesn't wait for Parliament to develop more legislation which then has to be interpreted.

**Q:** It is more than two years since you were appointed to the Bench. Is it as you expected? Are you still having fun?

**A:** It's great fun. It's fantastic to see all my old opponents and new counsel whom I did not know when I was at the Bar turn up and argue cases, which they do very well, and to consider and endeavour to resolve problems, instead of advising on them. It is very satisfying. What surprised me more than anything about the job is how much I enjoy coming into the room, closing the door and just trying to work things out. Just going through the papers, reading the transcript and thinking about how people have presented their arguments and thinking about how to conclude one way or the other. You try and picture yourself actually doing it when you are advising your client as a barrister or solicitor, but actually doing it is even more fun than I thought it would be.

**Q:** How has the practice of law and specifically, intellectual property, changed since you first joined the profession more than 30 years ago?

**A:** Intellectual property was very much a niche area. I decided in 1987 to do a Masters in London focusing on intellectual property. There was a feeling back then that this was a slightly quirky but emerging area. And when I came to the Bar in 1993, it wasn't that long since the High Court had stopped doing most of the patent cases and the Federal Court had emerged as the place where intellectual property was litigated. But now you go to the movies and you are referred to copyright ("You wouldn't steal a handbag"). I gave a talk to some school students the other day and they were looking at me a bit bored at one point so I started reading out the names of websites that I had blocked. I said "put up your hands if you have heard of these sites". And they started to wake up and look at each other, a little bit alarmed. I said "it's alright, I don't have CCTV cameras here".

The general awareness of intellectual property is much greater. You look at the value of intellectual property to the community at large, international companies are valued substantially on their intellectual property portfolio. Their main assets are their trade marks or, if you are a technology company like Apple, it is their patents and copyright. So it's now pervasive throughout society. It always was, but people just didn't realise it.

I think it's gone from being a niche specialist area to a substantial area of practice. At the same time, it's retained its freshness. I think, as a relatively young area of practice, it's not weighted down by years of tradition. For example, there is a better gender balance in IP, which you don't necessarily see in other areas. There is also an air of enthusiasm amongst practitioners, which is refreshing.

**Q:** Generally speaking, where do you think lie the future challenges of intellectual property law?

**A:** What really hasn't happened yet, is improving the way we deal with the breadth of intellectual property disputes that traverse society. We deal very well with the big and medium end of town. What we don't do so well as a profession, is deal with the little cases. Think of the cases where a photographer makes \$300 or \$3,000 from a photo. The photographer has his or her own website and an image is taken and used by a news outlet without permission. The photographer writes a letter to the news outlet in their own fair hand saying "may I have x thousand dollars, please". And then a large firm writes back saying "you haven't established ownership and subsistence of copyright". And before two letters are sent, the money has effectively gone down the drain. Recourse for them

and for a myriad of other small claimants, needs to be available.

**Q:** I note that the United Kingdom has established the IP Enterprises Court and in the United States there is legislation before Congress to establish a small claims court for copyright matters. The Productivity Commission recently recommended the establishment of an intellectual property small claims court in Australia. In its response, the Government took the view that the Federal Circuit Court of Australia ("FCCA") could handle such matters.

It may well be able to. But there are challenges there. The model for litigation is still cumbersome. Active case management addresses a number of the problems, and the Federal Court does that very well, but a more summary court for the very smallest of the claims could well address the problem, and the FCCA can step into that role.

**Q:** How do you relax, when you can?

**A:** Hanging around with friends and family. Fishing. Being on a boat where fishing may or may not occur. Being outside, hiking. Theatre. Music still remains a passion. I am trying to teach myself to play the trombone at the moment. I like playing tennis. A whole variety of things.

# On the Retirement of David Catterns QC

Peter Banki<sup>1</sup>

On 4 May this year, an exchange took place in the Federal Court of Australia between Tony Bannon SC and the Honourable Justice Jagot regarding David Catterns QC. The contents of the transcript will come as no surprise to intellectual property lawyers. David recently retired from practice after many years as a leading member of the Intellectual Property Bar. His contribution to our field is widely known and highly regarded.



David Catterns QC

Photo by WADED 2016

In his youth, David was a world-class sailor. In between world championships (mostly I think in the Laser class) he studied law. After he graduated, he toyed for a time with a career in environmental law before a fortuitous family connection led him to copyright. The copyright option was no doubt supported by David's love of writing, music and the arts generally and possibly a visit to the Place des Vosges – No. 6 having been the home of Victor Hugo. This could also be the time he developed a liking for things French, something he will no doubt enjoy more fully in retirement.

In the mid-'70s, David got a job as a legal research officer for the Australian Copyright Council. He and I worked there together with the legendary copyright crusader, Gus O'Donnell.

Gus believed authors should be paid when their work was photocopied and David developed "a conceptual framework" for litigation, based on the notion of authorisation, that he figured might lead to photocopying royalties.

Armed with this, we approached the noted author, Frank Moorhouse, and invited him to Sydney's Marble Bar to discuss photocopying. After many drinks, Frank agreed to lend his name (and fame) to what became *University of New South Wales v Moorhouse* [1975] HCA 26. Perhaps the Marble Bar was also where David acquired a taste for martinis (a subject about which Frank is a published expert).

Victory in *Moorhouse* eventually led to a legislative regime that resulted in the establishment of Copyright Agency Limited.

*Moorhouse* was also probably when David decided on a courtroom career. As this developed, he acquired other tastes – black clothing and cashmere come to mind – and ventured into other areas of intellectual property, making significant contributions to the jurisprudence.

David and I have been friends since childhood, so it's not surprising that I'm very fond of him. However, like many of his erstwhile instructing solicitors, I also have great

admiration for his abilities. He has all the qualities that make a great advocate: a forensic ability to identify critical matters; the discipline to resist the temptation to argue every point; technical expertise; and the skill in court to read the judge and change course, if necessary. He's also a delight to work with. He gives credit where it's due and is willing to take punishment even when someone behind him is to blame. To top it off, he is respectful and fun.

*MR BANNON: Just one more matter. Would your Honour mind if we had a couple of minutes? Would your Honour permit us the indulgence to mark publicly the last occasion which our very learned and very good friend David Kenneth Catterns QC will grace these or any other courts of justice. Although we all wish it weren't so, my learned friend recently announced that he's retiring from the Bar. This hearing is his last case. A quarter of a century ago, almost to the day, my learned friend and I were opposed as juniors in a patent case. I've had a front row seat watching and admiring his rise to the top of the IP Bar. He has led by example with a rare combination of deep knowledge of the area, high forensic skill, unbending determination and fearlessness and, above all, unfailing courtesy, goodwill and charm. It's not a mere collocation of parts, but a true combination to produce a unique and much-admired result. Novelty, ingenuity, clarity, and, above all, utility entitle him to a grant ...*

*HER HONOUR: Sufficiency. Sufficiency.*

*MR BANNON: ... entitle him to a grant of special letters patent for an embodiment consisting of himself. Claim 1 would read simply DKC QC. Our learned friend leaves a great legacy of teaching and instruction of courts, opponents, juniors, and solicitors alike. He has nurtured and inspired the IP careers of many. Although he would be too humble to recognise it himself, he may take much credit for the commendable spirit that imbues the conduct of IP litigation in this court, of which all participants, the court, practitioners clients are the beneficiaries. We will miss the passion, the crescendo of crucial points, and the air above the*

*lectern having the oxygen chopped out of it by the hand of a man devoted to his profession. Above all, we will miss being met with a warm “Darling” and a big smile. Davey boy, we congratulate you, we thank you and we wish you well.*

*MR CATTERNS: Thank you. That’s certainly the best submission today, your Honour.*

*HER HONOUR: Do the parties mind if I object – if I just say something briefly.*

*MR BANNON: Not at all.*

*HER HONOUR: Not at all? Look, I can’t match Mr Bannon’s eloquence at all, and I’m inadequately prepared in all sorts of ways to say anything on the occasion of Mr Catterns’ retirement. For two reasons, one, I’m not steeped in the interstices and history of the IP Bar. That’s my lack, but, secondly, I had heard rumours last year that it might be the last day that Mr Catterns was appearing and then he reappeared, and he reappeared in this matter. And so, in fact, until this morning just before I was coming into court, I had not been aware that this was the case, and I had, in fact, anticipated seeing Mr Catterns both in June and in stage two, October, of this case. So I had no time to prepare anything.*

*What I did manage to do in the brief gap between matters this morning – our, no doubt inadequate computer system goes back to 1995, and I thought I wonder how many cases Mr Catterns, as a QC – obviously having been appointed a QC in 1991 – has appeared in this court and the High Court, and I came up with 412 cases since 1995. Fifteen of those were in the High Court. Our system probably is missing a few, but absolute landmark cases in the IP area. Some of which including, very recently, the Myriad Genetics, Apotex and Sanofi Aventis. So important cases for the whole of the country, in terms of our whole society.*

*So despite probably not being the best person to say these words, I do thank Mr Catterns on behalf of the court. He will be, I’m sure, sorely missed by everybody in this court, in particular, but whichever court he appears in, and I know from everything I’ve heard, but also whenever Mr Catterns has appeared, and I have had the pleasure of him appearing before me, that he has been fundamentally instrumental, incredibly important, not only for the development of jurisprudence in the intellectual property area in particular, but also inculcation of a culture and a manner which makes this court, I hope, a very pleasant place for people to – practitioners, legal practitioners to appear in.*

*And I know that he – we really should acknowledge, well, your extraordinary professional contribution, which I do on behalf of myself and my colleagues, and the extraordinary personal contribution which is equally important. So it’s an extraordinary achievement. Since your admission, I did look up, in 1978, that’s an amazing amount of time, extraordinary number of cases, but I’m sure great things are*

*in store for you in the future and you will have a marvellous time. So well done. And all the best.*

*MR CATTERNS: Thank you very much. It has always been a great pleasure appearing before your Honour and in reading most of your Honour’s judgments.*

*HER HONOUR: All right. On that note, thank you. And I will adjourn. Thank you.<sup>2</sup>*

### **Editors’ note:**

In the course of interviewing the Honourable Justice Burley for this issue of *Intellectual Property Forum*, we asked His Honour whether he wanted to add any remarks of his own to what Justice Jagot had said above. Justice Burley offered the following comments about David Catterns QC.

*News travels in the court and had we known beforehand that this was happening, many of us who have known David may have drifted into court to mark the occasion. He is undoubtedly one of the giants of the Intellectual Property Bar. That goes without saying. But for the reason that Justice Jagot mentioned on the transcript, his influence is not only in his deep knowledge and passion for intellectual property, but also because of his civilising influence.*

*The Federal Court was established in 1976 and began to exercise its jurisdiction from 1977. It was not long after that that David started practising at the Bar. At that time there were very few people who practised in intellectual property and he rapidly became one of the leaders in the area. And so the development of intellectual property in practice in the Federal Court has had David as a part of it for a long time. And throughout that time, his civilised approach to his opponents, the court and the practice has been notable.*

*One of the things that we all respect about David is his recognition that you can win a case on its merits without having to take a difficult or obstructive approach. And he proved that time and time again. So he represents a valuable contribution to the culture of practice in the area and I think that everyone who has ever worked with him or been against him appreciates that.*

IPSANZ pays tribute to David Catterns QC for his enormous contribution to the practice of intellectual property and wishes him a happy and healthy retirement.

<sup>1</sup> Partner, Banki Haddock Fiora

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# The *Fearless Girl* and the *Charging Bull*: Does Public Art Wave a Red Flag for Moral Rights?

Bethany Larum\*

Winner John McLaren Emmerson QC Essay Prize 2018

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## Abstract

Although the moral right of integrity incentivises artists to create by offering strong protections in respect of the treatment of their work, it has the potential to censor public discourse and suppress broader public interests. In the context of public artwork, this essay argues that Australia's moderate enforcement of moral rights should not be strengthened, through a presumption of prejudice or the repeal of existing exceptions, to tip the balance of protection further in favour of the artist.

## Introduction

### The *Charging Bull* and the *Fearless Girl*

On a cold December night in 1989, under the cover of darkness, Italian sculptor Arturo Di Modica forklifted his three-tonne, 11-foot bronze statue, the *Charging Bull*, into the space in front of the New York Stock Exchange. A Christmas present to a city deflated by financial ruin after the 1987 stock market crash, Di Modica intended his creation to symbolise “prosperity and strength” and celebrate the resilient spirit of the American people.<sup>1</sup> Initially unwanted by city officials, but beloved by the masses, the statue was shortly thereafter relocated two blocks south, to New York's Bowling Green Park, where it has remained for almost 30 years. However, the *Charging Bull*'s unfettered occupation of the Bowling Green Park was interrupted in March 2017, on the eve of International Women's Day, by a second bronze statue, the *Fearless Girl*. Weighing only 110 kilograms, and standing a mere 130 centimetres tall, she is physically no match for Di Modica's colossal bull. Yet she stands, brave and defiant, in her high-top sneakers, with fists curled at her hips, just metres from the *Charging Bull*'s flared nostrils and menacing horns. Although created decades apart by two different artists, it is their proximity that has Di Modica seeing red. The *Fearless Girl*, sculpted by Kristen Visbal and commissioned by investment giant State Street Global Advisors (“State Street”), was conceived in celebration of the “power of women in leadership”; a “universal symbol for women and girls who aspire to be active contributors to our economic growth and advancing social progress”.<sup>2</sup> However, Di Modica claims that the interaction of the two works has recast his bull as a villain and a threat to female progress, changing its intended meaning from positive to negative.<sup>3</sup>

New York Mayor, Bill de Blasio was unsympathetic to Di Modica's request to separate the iconic statues, publishing the following statement on Twitter: “Men who don't like women taking up space are exactly why we need the *Fearless Girl*”.<sup>4</sup> This sentiment appears to have endured as it was recently announced that the *Fearless Girl* will be moving back to her

old turf near the New York Stock Exchange – and “may take the *Charging Bull* with her”.<sup>5</sup> The duelling sculptures raise a number of interesting intellectual property issues. Most saliently, Di Modica claims that the *Fearless Girl* affects the integrity of his work and thus infringes his moral rights.<sup>6</sup> Although emanating from the United States, the universal themes and unique facts trigger various considerations in a global context; can the placement of the *Fearless Girl* be considered a “treatment” of Di Modica's work and, if so, is that treatment so derogatory as to cause prejudice to his honour or reputation? If the *Fearless Girl* ignites a cultural change in the perception of women on Wall Street and around the world, was her placement nonetheless reasonable in the circumstances? If Di Modica's request to have the *Fearless Girl* moved is honoured, would he be exercising a concerning level of control over the meaning of his work? By gifting the *Charging Bull* to the city of New York – an undeniably public space – has Di Modica implicitly consented to a greater level of interaction with his art by members of the public, and even other artists? And, ultimately, should Di Modica and other artists accept limitations to their moral rights when they place their work in public?

There are also important economic considerations as Di Modica alleges that the *Fearless Girl* “incorporates and depends” on the *Charging Bull* to “convey its meaning” and therefore its authors have exploited the work without Di Modica's consent.<sup>7</sup> While both works were technically donated to the city of New York, they can be distinguished by their commercial purposes as the *Fearless Girl* was central to State Street's strategy to advertise their new fund, SHE, which invests in companies with women in executive positions.<sup>8</sup> For this reason, some commentators have suggested that the *Fearless Girl* is in fact a derivative work of the *Charging Bull*, particularly if “State Street specifically requested a sculpture that could be directly positioned in front of the *Charging Bull*”.<sup>9</sup> If facing the bull is what makes the girl “fearless”, then Visbal's work does not exist without Di Modica's. These economic concerns, while not

the focus of this essay, recognise that economic and moral rights cannot operate as discrete streams of copyright law; in fact, they are inextricably connected. The problem is that the law is better adapted to remedying economic damage; it is quantifiable and more easily corroborated than the damage that may be occasioned by an infringement of moral rights. It is their vague and idiosyncratic associations with personality and expression, reputation and honour, that give moral rights legal ambiguity. The potential result is a society of consumers and artists unaware of the limits on their rights to interact with creative works.

This essay does not deny or underestimate the role of moral rights in our copyright systems, particularly in furthering the “objective of copyright law” to incentivise authors to “create and disseminate original copyright materials”.<sup>10</sup> The notion of the “starving artist” is supported by empirical, rather than anecdotal, evidence.<sup>11</sup> An excess supply of labour in creative markets coupled with typically low earnings indicates that authors are motivated, to some extent, “by something other than financial reward”.<sup>12</sup> For this reason, there must also be a sound legal acknowledgement of the “integrity of [the] creative endeavour”<sup>13</sup> that is grounded in respect for the “contributions made by artists to their communities”.<sup>14</sup> To assure the artist that their unique relationship with their work will be recognised in a manner that transcends economic protections is to truly ensure the production of important literary, dramatic, artistic and musical works.<sup>15</sup> However, when applied too liberally, moral rights have the capacity to censor public discourse and suppress broader public interests.<sup>16</sup> Therefore, lawmakers must engage in a balancing exercise of public and private rights, pitting the value of creative works against any potential costs on society, to ensure that protection is not tipped too far in favour of the creator. An equilibrium between creators and users will be paramount as Australia looks to expand its fledgling moral rights law.

With a particular focus on the right of integrity, this essay will use public artwork as a vehicle to explore the ideological tensions between lawmakers, rights holders and users regarding the enforcement of moral rights. Ultimately it will argue that artists can – and should – accept limitations on the exercise of their moral rights when they place their work in public. Part I will provide a historical and jurisdictional context to the implementation of moral rights law in Australia. In consideration of the unique ways in which moral rights are both compatible and incompatible with public artwork, this chapter will argue that integrity rights may unjustifiably limit the ability of consumers and subsequent artists to elevate “meaning” from the control of the original artist. Part II will explore the definitional parameters of “derogatory treatment” and the ways in which an expansive interpretation may lead to unbalanced protections. It will look to Commonwealth comrades, Canada and the United Kingdom, to assert that Australia’s

moderate approach to the right of integrity is preferable, and should not be expanded to confer additional protections to artists, such as a presumption of prejudice. Finally, Part III will investigate statutory exceptions to economic rights as a fundamental mechanism to restoring the imbalance created by moral rights. This part will evaluate the efficacy of section 65 of the *Copyright Act* 1968 (Cth) and its European equivalent “freedom of panorama” and will address whether the shortfalls of this exception can be overcome by Australia’s current fair dealing exceptions or, as recommended by this essay, the implementation of an all-encompassing fair use provision would be more appropriate.

### I Berne and Beyond: The Problem with “Personal” Rights in “Public” Artworks

To evaluate the impact of moral rights on art – in particular, public art – it is first necessary to understand what they are, why they are important, and how they were established. At their most basic level, moral rights are the bundle of entitlements given to the author of a work relating to how their works are attributed, presented, treated, and otherwise utilised.<sup>17</sup> Although only recently enshrined in legislation domestically and abroad, the concept of moral rights owes its parentage to *le droit moral* of 19<sup>th</sup> century France.<sup>18</sup> Influenced by the ideas of German philosophers, Kant and Hegel, the French theory recognised that authors have personal rights in their work which are “so closely connected to the individual that they cannot be freely alienated, unlike property and contractual rights”.<sup>19</sup> In this way, the injection of the author’s personality into the work attracts – in some countries – an inalienable right to preserve the work in its original form;<sup>20</sup> a right that subsists even after the economic rights in the work have been transferred.<sup>21</sup> In this regard, some commentators have suggested that moral rights have been inserted “somewhat awkwardly” into common law copyright systems,<sup>22</sup> such as Australia, which are “utilitarian, and more specifically economic, rather than moral in character”.<sup>23</sup> A distinct appreciation for commerciality and value-adding may explain the development of an important amendment to Australian copyright law whereby authors can, in limited circumstances, consent to the doing of certain acts in connection with their works.<sup>24</sup> It may also clarify why the right of integrity in Australia subsists only for as long as the author’s economic rights.<sup>25</sup> While there is clearly some international disparity in respect of the power and flexibility of moral rights, it can nonetheless be asserted that moral rights emerged from the gaps of economic-based copyright laws. That is, moral rights derived their existence from a global concern that copyright alone could not provide holistic protection for the various interests a creator may wish to assert in his or her work.<sup>26</sup>

#### *The Berne Convention*

Moral rights were given international recognition by the 1971 revision of the *Berne Convention for the Protection of*

*Literary and Artistic Works* (the “Berne Convention”).<sup>27</sup> Article 6<sup>bis</sup>(1) of the *Berne Convention* states:

*Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.*<sup>28</sup>

While signatories to the *Berne Convention* are obliged to design domestic laws in accordance with these principles, they are merely minimum standards and each signatory has “latitude in determining the detail of those laws”.<sup>29</sup> Most signatories, including Australia, recognise in some form the right of attribution and its counterpart right against false attribution, as well as the right of integrity of authorship which allows authors to safeguard their works from harmful modifications.<sup>30</sup> However, some European signatories such as France, Germany and Italy have adopted very broad moral rights agendas, including the right to refuse disclosure of work which is not ready for public viewing and the “right of retraction” which allows authors to revoke their work from the public.<sup>31</sup> At the other end of the spectrum, the United States has taken a decidedly conservative approach, bestowing very limited protections to a discrete category of “visual art”.<sup>32</sup> In fact, the United States’ decades-long resistance to ratifying the *Berne Convention* has often been linked to a disinclination to providing federal moral rights protections.<sup>33</sup> Such a sweeping disparity across a number of jurisdictions indicates, to some extent, a reason to implement them with caution.

On the “latitude” of moral rights,<sup>34</sup> Australia has adopted an intermediate approach. Moral rights were only codified in Australian law in 2000, when the *Copyright Act 1968* (Cth) (the “*Copyright Act*”) was amended by the *Copyright Amendment (Moral Rights) Act 2000* (Cth). The moral rights of creators of literary, dramatic, musical and artistic works as well as cinematograph films are now protected under Part IX of the *Copyright Act*. Of specific applicability to this essay, the right of integrity of authorship in relation to artistic works is protected under section 195AI and is expressed as the “right not to have the work subject to derogatory treatment”.<sup>35</sup> Derogatory treatment is subsequently defined in the Act as the doing of any act that “results in a material distortion of, the destruction or mutilation of, or a material alteration to, the work that is prejudicial to the author’s honour or reputation”.<sup>36</sup> In this way, Australia’s implementation of Article 6<sup>bis</sup> is almost verbatim.

Despite Australia’s comprehensive moral rights legislation, only three disputes have tested its parameters in court; and only one of those cases, *Perez v Fernandez*, concerned the scope of the right of integrity.<sup>37</sup> Arguably this vindicates pre-enactment criticisms that moral rights violations do not occur with “such frequency or in such number as to warrant legislative intervention”.<sup>38</sup> However, empirical

evidence collected by the Arts Law Centre of Australia suggests that Australian authors are beginning to take notice of these laws, “discussing them, testing their boundaries and seeking to protect them”.<sup>39</sup> A potential groundswell of interest from creators of copyright works indicates that it is clearly an area of law that requires some forethought before Australian lawmakers begin to set important, definitional moral rights precedents. In the public art sector, this requires a comprehensive understanding of private intentions and public uses. As will be discussed below, these two notions do not always intersect neatly.

### *Art as a Special Category*

In one of the earliest academic explorations of moral rights, Roeder hypothesised that it is because the artist “projects into the world part of his personality and subjects it to the ravages of public use” that the “possibilities of injury to the creator” transcend economic damage.<sup>40</sup> Unlike most films, books, and recorded music which are capable of mass production and mass communication, public art typically exists as a one-of-a-kind work in a particular place for enjoyment by only those in its immediate vicinity. It is this rarity and exclusivity that, when coupled with public interaction, raises alarm. Although most creative goods allow for nonrivalrous consumption whereby the “use of a single creative work does not interfere with the use or enjoyment by others of that particular work”,<sup>41</sup> public art does not fit this classification with ease. If, for example, one reader tears a page from a personal copy of a book, this will not affect the representation of the work to any other person who has purchased their own copy of that book. If one listener sings the wrong lyrics over the song playing from their car radio, this will not affect the many number of people listening to this song at other times, in other places. Yet, if someone were to draw a frown over the *Mona Lisa*’s smile, this would affect generations of viewers to come – why? Because there is but one. In this way, moral rights “protect the public interest by preserving for posterity the object that immortalizes the traces of the artist’s greatness”.<sup>42</sup>

### *What is Good for the Goose is Good for the Gander*

The theory of parentage may explain why the author of a work would feel “personal anguish when someone else modifies his artwork/child”.<sup>43</sup> Such an attack could have the effect of discouraging an artist to continue to create. An example of this is the Canadian case of *Snow v Eaton Centre Ltd*, where the artist of *Flight Stop*, Michael Snow, successfully sued a Toronto shopping mall for hanging Christmas ribbons around the necks of the 60 geese sculptures depicted in flight above the patrons of the mall.<sup>44</sup> The availability of remedies such as injunctions cure the kind of conduct at issue in *Snow* and subsequently create a social climate in which artists feel their “creative contributions are acknowledged and respected”.<sup>45</sup> In return, artists are incentivised to contribute to the so-called “intellectual commons” and a flourishing creative society is enabled.<sup>46</sup>

Moreover, the public may benefit greatly from the right of integrity as a unique way of chronicling significant ideas in history. Many scholars have argued that the preservation of art is well aligned with the “public interest in culture and the development of the arts”.<sup>47</sup> As the public has a stake in protecting their cultural legacy for future generations, allowing the distortion, destruction or modification of art would “[cheat] the public of an accurate account of the culture of our time”.<sup>48</sup> In this way, the right of integrity is compatible with the public interest in preserving art in its original form. However, in returning to the primary muse for this essay, would the relocation of the *Fearless Girl* prioritise one American dream over another? If the *Fearless Girl* would not be fearless without her proximity to the *Charging Bull*, would this also cheat the public of an account of a period of great change and empowerment for women on Wall Street? While it may be socially desirable to protect art for the sake of protecting social ideals, should important social critiques not be preserved in the same way?<sup>49</sup>

#### ***Personal Rights and Public Artwork: An Oxymoron?***

Professor Amy Adler recently lamented that “moral rights law endangers art in the name of protecting it”.<sup>50</sup> Moral rights law and modern art are theoretically adverse; the former was conceived as a way of controlling reputation through the management of subsequent treatments of a work,<sup>51</sup> while the latter was founded on, and indeed would not exist without, new treatments of old concepts.<sup>52</sup> Adler argues that moral rights law, at a foundational level, “assumes that the artist rather than subsequent users should control the meaning of [their] work”.<sup>53</sup> Thus, the right of integrity fails to acknowledge the “profound artistic importance of modifying, even destroying, works of art” and, most importantly, “of freeing art from the control of the artist”.<sup>54</sup> Perhaps Adler’s radical viewpoint may be tempered by the notion that moral rights do not endanger *all* art, but a specific genre of contemporary art – that is, art that has at its core a specific intention to break from the past.<sup>55</sup> Arguably the law takes a more “romantic” view of art, one derived from “fantasies of the solo genius artist”.<sup>56</sup> Yet even Michelangelo’s *David* would be but an unclothed man without an audience to provide meaning and context beyond the physical work of his impending encounter with Goliath. Likewise, Di Modica’s *Charging Bull* has encountered an organic shift in meaning overtime as a result of its public placement; one which occurred independently of the *Fearless Girl*. New York Mayor Bill de Blasio suggests that the bull has been cast as a villain once before, in the Occupy Wall Street protests, as its close association with Wall Street rendered the statue a “celebration of unfettered capitalism”.<sup>57</sup> Whether art is old or new, by way of placing their work in public, artists impliedly consent to some form of interaction with their work. At the very least, the public should be able to imbue the work with a meaning beyond that which was originally intended.

#### ***Once More with Meaning: An Inalienable Right that Leads to an Alienated Public***

One of the many celebrated aspects of art is that meaning is made through a collaborative effort between the artist and the public. Thus, to enshrine a version of the integrity right that allows authors to control or limit meaning over their work is to enshrine the very notion of art that its makers have fought for centuries to resist: “stable, fixed, closed, self-contained and autonomous of its context and audience”.<sup>58</sup> If it is the Kantian “manifestation of the artist’s will” from which derives the “artist’s inalienable right to communicate his ideas”,<sup>59</sup> then the very substance of moral rights works to alienate the public, including other artists, from any kind of meaningful collaboration. By protecting the expressive intention of one artist, the right of integrity restrains the “expressive freedom of other artists who may want or need to make use of the original author’s work in order to express and communicate their own artistic ideas”.<sup>60</sup>

In this context, the Australian model may confer too much control over meaning as it ascribes moral rights for as long as the copyright in that work subsists; that is, the life of the author plus 70 years.<sup>61</sup> In doing so, it has the potential to allow the author to dictate meaning from beyond the grave. Again, this should be considered in view of the vast international moral rights spectrum. The French legal system, for example, grants perpetual rights to artists that are enforceable by their heirs or even their community after their death.<sup>62</sup> Professor Kwall appropriately suggests that moral rights protection should not “endure beyond the original creator’s death”, as “no one’s judgment about the meaning and message – not even that of the author’s descendants – can be substituted for the author’s own judgment”.<sup>63</sup> While it is beyond the scope of this essay to effectively evaluate legislative change for the duration of the right of integrity, it is certainly an important consideration. Regardless, the fact remains that Australia’s current moral rights scheme permits the author’s interpretation of his or her work to be “the one authentic vision of the work to which artists and readers and viewers have to defer ... and respect even to the extent of yielding our own creative freedom”.<sup>64</sup> The legal, and indeed social, effect of this approach is that the artist has a “right of control” over meaning, context and use which takes legally mandated precedence over both the creative desires of subsequent artists, and the role of the public as “meaning-makers” of the work.<sup>65</sup> While the law should certainly accommodate the author’s intention in some way, this should not come at the expense of public discourse or future creativity.

#### **II Derogatory Treatment: Parameters and a Presumption of Prejudice**

Whether or not the public, or subsequent artists, have a right to interfere with the original meaning of an artwork by modifying, altering, distorting or otherwise interacting with an artwork is essentially predicated on the legal interpretation of “derogatory treatment” and whether that

treatment is prejudicial to the honour or reputation of the artist.<sup>66</sup> As has been foreshadowed in this essay, the capacity of Australian law to adequately service both public and private interests will depend on the breadth of conduct considered to infringe moral rights. This chapter will first explore the current parameters of derogatory treatment in Australian law and identify areas of concern. It will then advocate for a predominately objective standard for the assessment of “honour” and “reputation” before concluding with a jurisdictional analysis of “prejudice” – namely, a consideration of whether Australia should follow the more stringent standards of the United Kingdom (“UK”) or adopt Canada’s presumption of prejudice.

### “Treatment” – *The First Hurdle*

Authors looking to enforce their right of integrity have two logical “evidential hurdles to surmount”;<sup>67</sup> first there is a requirement to establish “treatment” of the work, and secondly, prejudice to their honour or reputation. As treatment becomes the necessary element of causation without which prejudice could not have occurred, it is important to establish clear parameters for the kind of conduct that may constitute treatment. This is quite straightforward where the physical integrity of the work is compromised. In the classic French case, *Buffet v Fersing*, Buffet had painted six panels of a refrigerator which he regarded as one complete work.<sup>68</sup> Later, an auction house attempted to sell the panels separately after removing one and describing it as a “painting on metal”.<sup>69</sup> The Parisian court granted an injunction in favour of Buffet, preventing the sale of the individual panels.<sup>70</sup> However, treatment is less clear in cases such as the *Charging Bull* and the *Fearless Girl*. Putting to one side the question of whether the *Fearless Girl* contributed to a change in the meaning of the *Charging Bull* which damaged its author’s honour or reputation; the question remains – is her physical placement enough to constitute “treatment”? The United States, home of the two works, believes not. The *Visual Artists Rights Act of 1990* (“VARA”) explicitly precludes modifications that are the result of “public presentation, including lighting and placement, of the work” from a positive finding of infringement of the integrity right “unless the modification is caused by gross negligence”.<sup>71</sup> Adler highlights the necessity of this qualification to protect gallery owners and other curators as “from the initial act of choosing to place an object in an art setting, to deciding on its lighting or placement, all curatorial choices change the meaning of a work”.<sup>72</sup> The difficulties encountered by gallery owners has been similarly lamented in the Australian context by Chighine,<sup>73</sup> due to the expansive ambit for treatment under the *Copyright Act*. “Treatment” may manifest in one of three ways under section 195AK of the *Copyright Act*:

- (a) Any act that “results in a material distortion of, the destruction or mutilation of, or a material alteration to, the work that is prejudicial to the author’s honour or reputation”;

- (b) An “an exhibition in public of the work that is prejudicial to the author’s honour or reputation because of the manner or place in which the exhibition occurs”; and
- (c) “the doing of anything else in relation to the work that is prejudicial to the author’s honour or reputation”.<sup>74</sup>

In the *Fearless Girl* and *Charging Bull* scenario, there has not been any “material” change to the work, thus precluding the first limb of conduct covered under the Act.<sup>75</sup> However, due to the proximity of Visbal’s work to the *Charging Bull*, infringement may be satisfied “because of the *manner or place* in which the exhibition occurs”,<sup>76</sup> or at the very least it may be caught under the final failsafe of the provision such that the placement of the work amounts to “the doing of *anything else* in relation to the work”.<sup>77</sup> It is clear that the Australian Act rather problematically intended for a much broader array of conduct to be considered treatment. If the *Fearless Girl* challenged the *Charging Bull* on Australian turf, infringement would be more easily demonstrated at the “treatment” hurdle.

The *Fearless Girl* versus *Charging Bull* scenario demonstrates that even when a work of art is left intact, it is “constantly reworked and re-authored depending on who views it and in what context”.<sup>78</sup> For this reason, public artwork provides “fertile ground” for the enforcement of integrity rights which have the potential to trigger “frivolous lawsuits” and “usurp judicial resources”.<sup>79</sup> Therefore, the requirement that the plaintiff artist also demonstrate prejudice functions as a vital “control in the provision”.<sup>80</sup> In light of the expansive ambit of “treatment” under Australian law, it is imperative that the conditions of “prejudice” are not glossed over by Australian courts.

### “Honour” and “Reputation” – *The Second Hurdle*

Prejudice is assessed in most common law countries, including Australia, by reference to the artist’s damage to his or her “reputation” or “honour”.<sup>81</sup> Hence, these terms carry huge definitional import. Whether the term “honour” adds any value to the concept of “reputation” (and in what way) is a contentious issue.<sup>82</sup> In the 1994 Discussion Paper for the *Proposed Moral Rights Legislation for Copyright Creators*, honour is defined as being “associated with personal integrity and how a person considers he or she is perceived”, while “reputation” is likened to the tort of defamation in the way that it relates to “a person’s professional, business or personal standing in the community”.<sup>83</sup> Adeney therefore suggests that the inclusion of honour “extends the protection offered by the right of integrity beyond the area of reputational harm” to encompass considerations of dignity and “self-worth”.<sup>84</sup> This leads lawmakers and interpreters into murky waters as they must navigate how much weight (if any) should be given to subjective concerns derived from the author.

A secondary cause for concern is the necessary identification of the community in which the artist's reputation is held. Adeney suggests that this query is often answered by looking to the statute itself; in Sweden, for example, treatment of a work must not "be prejudicial to the author's literary or artistic reputation or to his individuality".<sup>85</sup> Australia's legislation provides no such guidance and without further clarification in case law, the issue of "whether the relevant community for the purpose of measuring prejudice is that of the author's peers or ... the wider public" remains untested and therefore unsettled in Australian law.<sup>86</sup> To meet this concern, Loughlan advocates the relevance of defamation law standards to moral rights.<sup>87</sup> The test applied in defamation cases is "whether the imputation lowers the plaintiff in the estimation of a substantial and respectable section of the community, even if there is no such lowering within the community generally".<sup>88</sup> It follows, in the moral rights context, that damage to an artist's reputation could be established among "practising artists and art critics" even if there is no "adverse reaction" from the general public.<sup>89</sup> Thus, in returning to our primary example, for Di Modica to successfully bring a claim against Visbal and State Street, he would have to prove that "what matters to [him] is not the number of individuals who would think less of him but rather their importance to him".<sup>90</sup> It is appropriate in most circumstances to deem the "artistic community the final arbiter ... of what kinds of treatment of works are derogatory and ought therefore to be prohibited".<sup>91</sup> Yet, this does not resolve situations where the artistic community is offended by an act which the wider public deem to be an exercise of creative or other expressive freedoms, such as the freedom of speech. Whether Australian courts will correctly balance public and private interests will be contingent on the weight given to subjective and objective considerations.

### ***Objective Versus Subjective Standards: Perez v Fernandez***

The inclusion of both "reputation" and "honour" in Australian moral rights law invites contention as to whether the legislature intended the application of subjective or objective standards, or both.<sup>92</sup> McCutcheon indicates that a "purely subjective test has largely been rejected by commentators".<sup>93</sup> This is certainly logical as profound consequences may ensue from empowering "hypersensitive authors" to "restrain uses of their works", "abuse their moral rights" or "dictate the outcome of a case" in a manner that was not intended by the *Berne Convention*.<sup>94</sup> These concerns are tempered by the application of an objective standard, as the protected interest must still be legal in nature, "rather than a mere personal sentiment".<sup>95</sup> In 2001, Loughlan proposed that an author's "subjective response to a particular treatment of [their] work is of little or no relevance to a finding that the treatment is derogatory for the purposes of the law of moral rights".<sup>96</sup> However, her theory was inherently disproved over a decade later in *Perez v Fernandez*,<sup>97</sup> Australia's only case to consider the right of integrity.

The relevant issue in *Perez* was whether Perth-based disc jockey, Jaime Fernandez, had subjected the work of international hip-hop artist, Armando Perez (popularly known as "Pitbull"), to derogatory treatment.<sup>98</sup> In 2010, Mr Fernandez modified Pitbull's song *Bon Bon* by deleting the words at the start of the song and instead mixing in a recording of Pitbull declaring: "Mr 305 and I am putting it down with DJ Suave".<sup>99</sup> Mr Fernandez played the song in nightclubs and uploaded a recording of the modified song online where it was available for streaming by visitors of the website.<sup>100</sup> The Federal Court awarded Mr Perez AU\$10,000 for the infringement of his moral rights – an amount significantly higher than the damages awarded for the copyright breach.<sup>101</sup> In making this ruling, Federal Magistrate Driver applied a subjective standard by accepting evidence that Mr Perez was "concerned and upset" by the distortion of the song.<sup>102</sup> On the other hand, the expression "putting it down" implied a close professional relationship between the two artists and suggested that the modified recording was endorsed by Mr Perez.<sup>103</sup> This consideration was conversely objective in nature, requiring his Honour to accept evidence that the hip-hop genre places "great importance on artistic associations in building both an artistic and commercial reputation".<sup>104</sup>

McCutcheon advances two important criticisms of the Federal Court's reasoning in *Perez*, thus affecting its reliability as good authority on the evidential requirements associated with the right of integrity.<sup>105</sup> The first is his Honour's reading of "prejudice" in the *Copyright Act* to include a "propensity or capacity to harm, rather than evidence of actual harm".<sup>106</sup> She states that this is inconsistent with Parliament's clear rejection of the *Berne Convention* future-tense wording, "would be prejudicial", and subsequent adoption of "is prejudicial".<sup>107</sup> The second criticism is aimed at the court's "preparedness to *presume* prejudice" in the apparent absence of "third party evidence as to how relevant members of the community would regard the effect of Mr Fernandez's conduct, or why it was prejudicial to Mr Perez's reputation".<sup>108</sup> Whether Driver FM intended to set down a precedent of presumptive prejudice is unclear; however, it is more likely that the establishment of prejudice in *Perez* was "dependant on the particular circumstances of the parties' relationship" which had broken down due to a failed tour collaboration.<sup>109</sup> In this case, prejudice to Mr Perez's reputation was the very intention of Mr Fernandez and adducing outside evidence to this effect would have been a waste of court resources.<sup>110</sup> Thus, it is dangerous to suggest that prejudice can always be presumed, or that objective evidence will never be required. Australian courts must be cautious in future applications of *Perez* to ensure that the elements of the integrity right are adequately demonstrated.

Lim suggests that the "moral rights landscape is very much animated by a 'jurisdiction-specific approach' which is 'characterised by a wide spectrum of standards'" in the

way prejudice is interpreted across common and civil law copyright systems.<sup>111</sup> In light of Australia's limited case law, it is helpful to look to other jurisdictions for guidance. In France, for example, "it is *presumed* that any act which modifies the author's work is an injury to the author's personality" and thus "it is unnecessary to show prejudice to the author's honour or reputation".<sup>112</sup> However, Australia is more likely to follow one of its common law sister systems, Canada or the UK, which diverge substantively on whether or not prejudice can be presumed.

### ***Pride and Presumed Prejudice***

#### ***A. The UK***

Although the UK has not produced a vast array of moral rights case law, a sequence of important cases decided under the *Copyright, Designs and Patents Act* 1988 (UK) ("CDPA") reveals a strong focus on objective standards and an unwillingness to presume or infer prejudice. In *Tidy v Trustees of the National History Museum*, cartoonist Bill Tidy failed to establish that the defendant museum breached his right of integrity by reproducing his black-and-white dinosaur cartoons in a smaller, colourised version.<sup>113</sup> Rattee J held that an "objective test of reasonableness" must be passed in order to establish that Tidy's view was "reasonably held".<sup>114</sup> In doing so, his Honour found "insufficient evidence as to the public's perception of the museum's "treatment" to support a finding of prejudice and infringement".<sup>115</sup> Four years later, *Pasterfield v Denham* provided further detail as to the court's expectations of a plaintiff in the discharge of his or her evidentiary burden.<sup>116</sup> In that case, the court stated that "it is not sufficient that the author himself is aggrieved by what has occurred", rather the plaintiff must demonstrate a "distortion or mutilation that prejudices his honour or reputation as an artist".<sup>117</sup> Finally, and most recently, the case of *Confetti Records v Warner Music UK Ltd* reinforced the hesitance of UK courts to presume prejudice.<sup>118</sup> In a factual scenario not dissimilar to *Perez*, the court dismissed the plaintiff's claim of integrity infringement due to a lack of evidence about, or prejudice to, the author's honour or reputation.<sup>119</sup> Justice Lewison emphatically stated, "where the author himself makes no complaint, I do not consider that I should infer prejudice on his behalf".<sup>120</sup> These leading English cases demonstrate an aversion to placing substantial reliance on the author's injured feelings. To some extent, this reflects the unwillingness of English courts to diminish the author's evidentiary onus to prove prejudice to their honour or reputation.

#### ***B. Canada***

Canadian copyright law demonstrates a more artist-centric approach. In *Snow v Eaton Centre Ltd*, Justice O'Brien stated that to establish prejudice to honour or reputation "involve[s] a certain subjective element or judgment on the part of the author so long as it is reasonably arrived at".<sup>121</sup>

His Honour granted an injunction in favour of the plaintiff after accepting his "belief that his naturalistic composition [had] been made to look ridiculous" and, further, that this was concurred by "other well respected artists and people knowledgeable in his field".<sup>122</sup> At this point, the Canadian position is not dissimilar from the UK's "reasonably held" test in *Tidy*.<sup>123</sup> However, the point of divergence comes after *Snow*, with amendments to the Canadian *Copyright Act* in 1985 enshrining a presumption of prejudice which "relieves the offended author of having to adduce evidence at the prima facie stage that the treatment in question was derogatory".<sup>124</sup> The presumption "considerably lightens the burden of artists" who are "only required to show that some form of distortion, mutilation, or other modification has been made to their work".<sup>125</sup> While the presumption is currently only available to authors of paintings, sculptures and engravings, it nonetheless represents an ideological shift towards stronger moral rights protections for artists. Lim suggests that Canada's presumptive prejudice can be readily imported into the Australian copyright system;<sup>126</sup> however, this view is not shared by the present author.

### ***A Presumption of Prejudice Should Not Be Adopted in Australia***

There are two main reasons why a presumption of prejudice is not harmonious with Australian moral rights law. The first is that the phrase "prejudicial to honour or reputation" was historically conceived as a compromise between civil and common law countries during negotiations arising out of the *Berne Convention*.<sup>127</sup> Common law countries refused to accept the original expression proposed by Italian delegates in 1928 which granted a right of integrity against acts "which caused prejudice to the plaintiff's 'moral interests'",<sup>128</sup> as they feared the introduction of "vague, uncertain and subjective criteria for assessing infringement".<sup>129</sup> As Ricketson explains, the words "honour and reputation" were acceptable to common law countries as they embodied concepts already enshrined in defamation laws.<sup>130</sup> Therefore, Loughlan suggests that the words should be "neither read down nor glossed over by the courts".<sup>131</sup> Ultimately, a presumption of prejudice would sit awkwardly with the "economic-utilitarian character"<sup>132</sup> of the Australian intellectual property and competition law systems which have "developed to protect the economic interests, not of the author, but the copyright owner".<sup>133</sup>

The second reason is that the Australian *Copyright Act* contains a defence of reasonableness, which "places the onus upon an infringer to provide evidence as to why the treatment was reasonable".<sup>134</sup> In assessing reasonableness, a number of factors will be considered by the court including the "nature" and "purpose" of the work as well as the "context" in which it was used.<sup>135</sup> As such, Australian law places an equally weighted burden on artist and user. This is more likely to achieve a fair balance between public and private interests than the Canadian model which immediately places the burden onto the "user/modifier" to adduce evidence that the

relevant treatment was not derogatory.<sup>136</sup> A presumption of prejudice is more likely to “disincentivise the production of derivative works, and impede the development of discourse and critical expression that would otherwise be beneficial to the community at large”.<sup>137</sup> Ultimately, a presumptive framework unnecessarily inhibits the “protection of creative, adaptive and transformative uses of expressive work in a vibrant information society” and fails to “ensure that reasonable limits are placed on an author’s ability to object to changes ... to the work”.<sup>138</sup> The presumption of prejudice unfairly alters the balance between protecting the author’s dignity and promoting freedom of expression.

### III Moral Rights and Statutory Exceptions: Public Placement, Fair Dealing and the Case for Fair Use

There has been a push in Australia’s limited case law to treat economic and moral rights separately.<sup>139</sup> However, it is possible that this distinction may be blurred in practice by those seeking to enforce their rights. Protection against economic infringement, such as the right of reproduction and the right to communicate the work to the public,<sup>140</sup> may be invoked as a means of controlling uses of an artwork that the artist does not find agreeable. Newell presents a compelling example of the interconnectedness of moral and economic rights as follows;<sup>141</sup> in 2010, Columbia Pictures was threatened with a copyright infringement suit from the Roman Catholic Archdiocese of Rio de Janeiro after portraying the destruction of the iconic *Christ the Redeemer* statue in their Hollywood blockbuster, *2012*.<sup>142</sup> Although the conflict was represented in the media as an infringement of moral (or more accurately, religious) rights, the issue actually centred on the studio’s failure to license the appearance of the statue from the church.<sup>143</sup> According to Newell, this scenario demonstrates the capacity of copyright law to unfairly “restrict” genuine and creative uses of works in public spaces.<sup>144</sup> Statutory exceptions are vital to restoring the balance between public and private interests and play an important role in freeing works from the control of the artist. But are they doing enough? This part will explore two main exceptions in Australian copyright law to an infringement of economic rights; the public place exception and fair dealing. By looking to international equivalents, freedom of panorama and fair use respectively, this chapter will question whether Australian law adequately accommodates public interaction with public artworks.

#### A. The Public Place Exception and Freedom of Panorama

##### ***The Public Place Exception***

Division 7 of the Australian *Copyright Act* sets out various exceptions to the infringement of copyright in artistic works. Relevantly, section 65 provides an exception to the copyright infringement of “sculptures” and “works of artistic craftsmanship” where those works are “permanently situated” in a “public place”, or in “premises open to the public”, by the

“making of a painting, drawing, engraving or photograph of the work or by the inclusion of the work in a cinematograph film or in a television broadcast”.<sup>145</sup> Section 68 subsequently clarifies that, if copyright has not been infringed by virtue of section 65, then publication of that “painting, drawing, engraving, photograph, or cinematograph film” likewise does not constitute infringement.<sup>146</sup> These provisions indicate a legislative intention to account for the public interest by rendering the “public placement of certain works” as a characteristic relevant to excusing copyright infringement.<sup>147</sup> As a result, they have the potential to counteract the unreasonable invocation of reproduction and communication rights to restrain interaction with public artworks.

There are strong justifications for a public placement exception in copyright law; not least of which is ensuring that the public are not penalised for legitimate interactions with public works.<sup>148</sup> Without the section 65 exception, taking “wedding or holiday photographs depicting friends and family in front of a sculpture in a park” could be a bona fide (albeit ridiculous) infringement of copyright.<sup>149</sup> As Iljadica argues, it is these “ordinary ways of inhabiting the city” and “navigating its public spaces” that need to be accounted for.<sup>150</sup> By simply “inhabiting public spaces”, individuals are often “compelled to view” a variety of copyright-protected works.<sup>151</sup> Often, the reproduction or communication of these works is incidental to recording personal experiences.<sup>152</sup> Thus, the legislative requirement that the work is situated “in a public place” or in “premises open to the public”, contemplates social benefit at least in part, “by looking closely at the space of a work ... not merely the work itself”.<sup>153</sup> In this way, “space” is “used implicitly to categorise works as holding characteristics besides their inherent [creative] qualities”;<sup>154</sup> a characteristic that demonstrates that artists who choose to situate their works in public can and should accept limitations to their rights.

Building upon Henri Lefebvre’s renowned study on the “right to the city”,<sup>155</sup> Iljadica states that making images of one’s physical environment “allows an individual to propose or effect an understanding” of their place within that environment.<sup>156</sup> Evidently, this “includes being able to record (reproduce) and ascribe meaning to the objects found there”.<sup>157</sup> Section 65 therefore allows both subsequent artists and members of the public to contribute to and further the narrative of the work. This means that artists must accept that depictions of their work may appear in unintended places, such as the internet,<sup>158</sup> as social media operates to “extend urban spaces”.<sup>159</sup> Control over meaning is complicated by the modern ease at which videos and photographs can be uploaded to the internet and shared among people in that individual’s social network.<sup>160</sup> The law therefore recognises that as society shifts further into the reality of living in online spaces, artists and other creatives must tolerate limitations on their economic and moral rights.

### **Support, Criticism and Reform**

Kingsbury argues that public placement exceptions “do nothing” and are “intended to do nothing” to protect and preserve public artworks.<sup>161</sup> This concern is echoed by the Arts Law Centre of Australia, the Visual Artists’ Collection Society (“Viscopy”) and the National Association for the Visual Arts, which have all supported the repeal of section 65 from the *Copyright Act*.<sup>162</sup> These organisations have suggested that the legislature should instead introduce a “fair dealing” exception for non-commercial reproductions of public artwork, or alternatively, section 65 should be amended to “specifically exclude reproductions of public artwork made or used for commercial purposes”.<sup>163</sup> Arguably, this would be a step backwards for copyright law, in particular, the achievement of its “purported aims of promoting creativity and culture” in public places.<sup>164</sup> As Iljadica argues, “we need instead a set of copyright rules that will take into account the importance of interacting with publically placed works as a precursor to the enrichment of the intellectual commons”.<sup>165</sup> Looking to recent reform regarding the European-based freedom of panorama may provide guidance for Australia.

### **Freedom of Panorama**

Freedom of panorama is the legal right to take and publish photographs of “artworks, sculptures, paintings, buildings or monuments that are in public spaces, even when they are still under copyright”.<sup>166</sup> It derives from the *European Copyright Directive* of 2001,<sup>167</sup> which implemented obligations under the *World Intellectual Property Organization* (“WIPO”) *Copyright Treaty* 1996 (“WCT”),<sup>168</sup> and “expressly grants member states the right to limit copyright protections for works permanently situated in public spaces”.<sup>169</sup> However, it is an area of law that is not yet harmonised.<sup>170</sup> Despite public consultation, the newly released draft *Directive on Copyright in the Single Digital Market* does not prescribe a compulsory Freedom of Panorama exception.<sup>171</sup> Public consultation on making Article 5(3)(h) of the Directive compulsory across all member states revealed, unsurprisingly, that member states, public authorities, and visual artists were open to the introduction of a mandatory panorama exception, but only in relation to *non-commercial* uses.<sup>172</sup> On the other hand, consumers, institutional users and service providers opined that a mandatory exception covering both non-commercial and commercial uses would be a positive development for copyright law.<sup>173</sup> The stifled Freedom of Panorama reform indicates that lawmakers, creators and users are not seeing eye-to-eye when it comes to regulating the use of public works.

### **The Graffiti Anomaly**

Drawing a distinction between legal street art and illegal graffiti has proven to be a difficult task for law and policy makers.<sup>174</sup> However, a distinction *is* important, as the former category has the unique potential to “revitalize derelict urban spaces into beautiful civic projects”<sup>175</sup> and serve as a

“focal point for a community’s sense of belonging and for the purpose of education”.<sup>176</sup> Some commentators have argued that street art contributes positively to copyright’s overriding aim “not to reward authors but rather to advance and disseminate culture and knowledge”.<sup>177</sup> Yet there is vast disharmony in opinion regarding whether public and private interests intersect at the preservation of graffiti and other street art.<sup>178</sup> A particular grey area is the adverse concerns of street artists and landowners which each have “separate property interests that can be affected”.<sup>179</sup> Whether by intention or ignorance, copyright law does not adequately deal with the protection of street art and, as a result, public interaction with these works is not clearly regulated.

Australia’s current framework is imprecise for two reasons; firstly, graffiti falls outside the definition of works covered by the section 65 exception and, secondly, it often lacks permanency. As the Arts Law Centre explains, “although murals and graffiti are generally situated in a public place, because they are two-dimensional artworks the section 65 exemption does not apply”.<sup>180</sup> While section 66 covers public uses of buildings, this does not extend to artistic works painted onto buildings.<sup>181</sup> Furthermore, graffiti is “not inherently ephemeral but it is subject, in certain locations, to swift destruction, meaning it may only exist as a material object for a very short period of time, possibly hours”.<sup>182</sup> The introduction of a specific fair dealing exception allowing for non-commercial uses of public artwork may help to bridge the gaps in section 65. However, as will be argued below, it may be more appropriate to introduce a US-style fair use exception.

### **B. Fair Dealing**

Another way of protecting public uses of art is through a fair dealing or fair use exception. As Kingsbury suggests, “[t]here is a public interest in providing the public with a form of user right for works of public art”.<sup>183</sup> Australia’s fair dealing model permits certain uses of creative works that would otherwise infringe copyright, provided that they are “fair” and fall within one of the five purposes enumerated under the *Copyright Act*: research or study,<sup>184</sup> criticism or review,<sup>185</sup> parody or satire,<sup>186</sup> reporting the news,<sup>187</sup> and providing legal advice.<sup>188</sup> Antithetically, the adoption of a fair use model in the United States means that courts are not compelled to fit user behaviour into a discrete category of use; rather “the only issue is whether the use is fair”.<sup>189</sup> Both the Productivity Commission and the Australian Law Reform Commission (“ALRC”) have recently advocated that Australia shift to a fair use model.<sup>190</sup>

### **Looking to the Future: Fair Use vs Fair Dealing**

This essay will not unpack the plethora of commentary surrounding the fair use versus fair dealing debate which has ensued since the ALRC and Productivity Commission invited public submissions on this topic; it goes beyond well-documented criticisms of the “overly complex”<sup>191</sup> and “nearly

indecipherable” Australian *Copyright Act*.<sup>192</sup> However, it will argue that fair use would help to alleviate some of the concerns associated with reconciling public and private uses of public artwork. The deficiencies of the public placement exception in dealing with graffiti and other street art provides a strong justification for shifting to a fair use model.

The city of Melbourne has played host to a number of controversies involving the accidental removal of several “stencils” by celebrated British street artist, “Banksy”. The first of these came in 2010 when city officials scrubbed an image of a rat from the walls of Hosier Lane.<sup>193</sup> In 2013, the walls of a Fitzroy church adorned with a second stencil of a rat and an image of a girl hugging a bomb were painted over by a relative of the building owner.<sup>194</sup> In 2014, two other Banksy stencils were destroyed in AC/DC lane and, most recently, in 2016, construction workers demolished three further Banksy stencils of rats when they installed a new doorway in an inner-city laneway.<sup>195</sup> Banksy’s thematic incorporation of rats in his street art advances an anti-authoritarian message. Thus, the preservation of the work is significant to the corresponding preservation of the public right to speak out against administration – even if it is not in the form intended by the original artist. The habitual erasure of street art by local authorities validates Iljadica’s claim that photographs of Banksy’s work may be the “only record of its existence”.<sup>196</sup> Yet, the fair dealing doctrine may not adequately protect an individual who has captured the stencil prior to its erasure and posted that image online.

In its brief history, Australian lawmakers have struggled with the definitional boundaries of its discrete exceptions.<sup>197</sup> Conversely, in a fair use environment, there is no need to force conduct into one of the prescribed uses under the *Copyright Act*. Ultimately, fair use does not involve a “radical break” from Australia’s current law;<sup>198</sup> the common thread running through both doctrines is an assessment of what is “fair”, having regard to factors such as the “nature of the work, the nature of the use, and the impact of the use on the market for the original work”.<sup>199</sup> As much street art is carried out anonymously or through pseudonyms and without pursuit of economic reward,<sup>200</sup> then it is likely that such a use would also be considered “fair”.

The ALRC supported the broadened exception as being compatible with moral rights as “part of an assessment of the fairness of copyright exceptions includes the effect on authors and creators, including their moral rights and cultural considerations”.<sup>201</sup> In their submission to the ALRC, Hinze, Jaszi and Sag stated that while Federal Court and High Court of Australia judges “routinely consider leading United States cases in the process of deciding Australian law in accordance with Australian standards”, we should expect that, if Australia adopted fair use, Australian courts may diverge from the American standard in relation to “cases that pitted moral rights against freedom of expression”.<sup>202</sup>

Although Australia’s commitment to free speech does not match the vigour of the United States, it is dangerous to presume that the public interest in cultural, political or creative expression will be suppressed in this way. As Sainsbury suggests, the “moral rights of the author should not be used to stifle criticism or comment, even where it is prejudicial”.<sup>203</sup> Ultimately, Australian lawmakers are likely to discern that shifting to a fair use model would help, not hinder, the cultivation of the “intellectual commons”.<sup>204</sup>

### ***A Fault in Both Models: Why Should Public Use Need to be “Fair”?***

While fair use better accommodates for non-commercial public uses of public art, it too has limitations. As Iljadica states, “the point of taking inhabitation seriously is that it makes interaction a part of being in the city and experiencing public space; it need not have some defined purpose beyond that”.<sup>205</sup> In this way, fair use exonerates the routine uses of public art that may fall outside of the discrete fair dealing categories. However, the requirement for “fairness” in both models overlooks the reality that inhabiting urban spaces may be as “entirely aimless” as stumbling across a work and taking a photograph.<sup>206</sup> Thus, the need to argue, after the fact, that one’s inhabitation of the city was “fair” is an overextension of the protective role of copyright law.<sup>207</sup>

For fair use to be an appropriate mechanism to cover non-commercial uses of public art, there must be an acknowledgement by courts of “public placement” as a paramount factor of fairness.<sup>208</sup> Therefore, the “appropriate starting point” in deciding whether or not a particular use of a work is fair “is not the identity of the user nor the use that is made of that work, but rather the question of where the work is found”.<sup>209</sup> While evaluation of the court’s potential or willingness to do this is beyond the scope of this essay, it is nevertheless clear that moving to fair use would better equip copyright law to meet the shortfalls in the section 65 public placement exception. By demonstrating sensitivity “to the role of space in the production and promotion of creativity and culture”,<sup>210</sup> Australian law would have a greater capacity to “strengthen public support for, and compliance with, copyright law”.<sup>211</sup> Ultimately, the inherent flexibility of fair use may harmonise copyright law with the “unarticulated public understandings of the appropriate scope of copyright protection”.<sup>212</sup>

The public placement exception has a necessary role in Australian copyright law to allow for creative and other genuine uses of public artwork by the public, including other artists. Recent reform regarding freedom of panorama has demonstrated that Europe is looking to make these exceptions mandatory across the continent. Thus, Australia should certainly not consider limiting or repealing section 65, as to do so would set Australia behind the global trend. However, there is an enduring ambiguity associated with “permanency” and the scope of works covered under the

protection, as evidenced by the failure of the exception to deal with graffiti and other forms of street art. While fair dealing may work to overcome these issues, there is a compelling argument that moving to a fair use model – which does not require courts to fit uses into a predetermined category – would more adequately balance public and private interests. Statutory exceptions are a necessary means of freeing art from the control of the artist; however, they must do more than serve a perfunctory purpose. They must contribute to the cultivation of the intellectual commons in a meaningful way.

#### IV Conclusion

When Kristen Visbal and State Street Global Advisors placed the *Fearless Girl* just metres away from Arturo Di Modica's *Charging Bull*, they created a dialogue; one centred on the need to make way for women in business, in Wall Street and around the world. It became the inspiration for the writing of this essay and the catalyst for the creation of a second dialogue centred on the unintended consequences of moral and economic rights. Over three chapters, this essay has argued that by installing their art in public, artists must accept some limitations on these rights. Not in the least because public interaction relies on a certain level of flexibility in copyright law to accommodate for legitimate subsequent uses of these works.

Australia's moral rights law is still in its infancy and, as it develops, lawmakers must be careful in assessing its scope, having regard to important definitional issues such as treatment, as well as honour and reputation. *Perez v Fernandez* yielded many unanswered questions;<sup>213</sup> of particular significance is whether the effect of the Federal Court's judgment was to pave the way for a presumption of prejudice in Australian moral rights law or to reduce the plaintiff's burden of establishing prejudice to a bare minimum. Some commentators have advocated for the direct importation of Canada's statutorily enshrined presumption of prejudice into Australian law. However, it is essential that Australian lawmakers continue to decide prejudice on a case-by-case basis, preserving the evidentiary onus on the author to demonstrate that a particular use of the work was derogatory and therefore prejudicial to their honour or reputation. Although the moral right of integrity encourages and incentivises artists to create by offering strong protections against harmful treatments of their work, it has the potential to censor public discourse and suppress broader public interests. To ensure that the balance of protection is not tipped too far in favour of the artist, Australian lawmakers must continue to favour an objective approach supported by subjective elements only when the effect on honour and reputation cannot otherwise be demonstrated by consensus from the art community.

Finally, this essay has argued that the indivisibility of moral and economic rights may enable artists and other creators to

invoke economic infringement rights to prevent unwanted uses of their work. For this reason, it is important to acknowledge that Australia's current exceptions to copyright infringement are under review. It has been asserted that the public placement exception in section 65 of the *Copyright Act* by and of itself is an ineffective mechanism for balancing public and private interests. While Australia's current fair dealing provisions do very little to fill the gap, this essay has proposed that moving to a more flexible fair use model would better enable the public to contribute to and participate in Australia's vibrant information society. However, fair use is not a panacea for liberating art from the control of the artist. Not all interactions with public artwork will pursue an aim beyond recording personal experience, and thus, Australian courts must be prepared to place weight on "public placement" in the assessment of whether or not a particular use of the work is "fair".

Ultimately, moral rights are an important mechanism for incentivising artists to create; however, the enforcement of these rights should not come at the cost of broader social rights and interests. When an artist seeks to enforce their right of integrity, there is a dangerous parallel restriction on the ways in which the public can interact with their work. Seeking control over meaning exceeds the protections mandated under the *Berne Convention*, and more importantly, exceeds Australia's intentions behind ratifying its international obligations. Lawmakers of Australia must keep this in mind as they develop the nation's fledgling moral rights law.

# The Fearless Girl and the Charging Bull: Does Public Art Wave a Red Flag for Moral Rights?

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# Designs Law and 3D Printing: Global Issues in the Local Context of Australia

Bram Van Wiele\*

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## Introduction

The last decade has been characterised by a considerable amount of hype surrounding 3D printing.<sup>1</sup> By enabling the decentralised manufacturing of customised goods, this technology bridges the gap between the digital and physical worlds. Unlike a traditional business model involving intricate supply chains, centralised manufacturing and physical distribution, 3D printing facilitates a largely decentralised manufacturing model, supplemented by instantaneous dissemination of the “digital blueprint”. The disruptive potential of this technology has been the subject of significant scholarly debate, particularly in the field of intellectual property law. Considering the ongoing developments of the technology, and the ever increasing availability of consumer 3D printing hardware, the questions surrounding the application and suitability of the current intellectual property system have become increasingly pertinent.

At the core is the issue of decentralised manufacturing enabled by digitisation. Much of the scholarly debate around 3D printing has focused on copyright; however, 3D printing also raises issues for designs protection. While some of the concerns for Australian designs law have been dealt with elsewhere, certain issues remain unclear and underexplored.<sup>2</sup>

In Australia, designs protection is a neglected area of intellectual property law.<sup>3</sup> One of the reasons is designs can also be protected by other models of intellectual property such as copyright, patents and trade marks. International norms allow for a great level of flexibility, and consequently, different jurisdictions apply different regimes for protecting designs based on these models, or a combination thereof. For example, the *Paris Convention for the Protection of Intellectual Property*<sup>4</sup> merely contains provisions on national treatment and priority dates of design applications, but is silent on substantive norms. While both the *Berne Convention for the Protection of Literary and Artistic Works*<sup>5</sup> and the *Agreement of Trade-Related Aspects of Intellectual Property*<sup>6</sup> require protection for works or industrial design, there remains a great discretion as to the scope and nature of protection. Australia provides design protection through a combination of registered designs law and copyright – albeit not cumulatively.<sup>7</sup>

This article contextualises 3D printing within the law of registered designs. From the perspective of Australia, it exposes the threats posed by the technology to designs law and its beneficiaries. The analysis is grounded in 3D printing technology and focuses on the prerequisites for design protection, and the issues surrounding the enforcement of design rights in the digital environment.

## 3D Printing

3D printing, formally known as additive manufacturing, is the collective term for a set of general-purpose manufacturing processes that physically build up three-dimensional objects from a computer-aided design (“CAD”) model.<sup>8</sup> Additive manufacturing processes differ drastically from most conventional manufacturing processes as the final product is built up by adding, rather than subtracting material – generally in a layer-by-layer fashion. This process offers a number of structural benefits such as the ability to produce complex shapes that would otherwise be difficult or impossible using traditional methods; and the facilitation and expedition of the prototyping process.<sup>9</sup> In fact, while 3D printing was originally solely used for “rapid prototyping”,<sup>10</sup> it is now playing an increasing role in component and end-product manufacturing.<sup>11</sup>

There are more than 30 different additive manufacturing processes.<sup>12</sup> Each process has different attributes regarding cost, dimensions, accuracy and speed, amongst other things. The manufacturing processes also determines the type of material that can be used. Consequently, the typologies of 3D printing technologies can be based on the printing material used, i.e. power-based, liquid-based and solid-based.<sup>13</sup>

Regardless of the type of additive manufacturing process, at the core of 3D printing lies the digital model: which visually represents the object to be printed, while embodying instructions for manufacturing. Digital models are created using CAD software, digital 3D replication technology, such as 3D scanning, or a combination thereof. The digital nature of these models enables the unprecedented dissemination of designs and the decentralisation of their manufacture. The models can be shared instantaneously using networked

technologies, and materialised using 3D printing technology. At present, there are various 3D printing platforms that facilitate the dissemination of CAD models. These platforms do, in principle, only host original designs; however, it cannot be ruled out that some of the files hosted on these platforms are copies of third-party designs that are subject to intellectual property protection. In fact, over the last decade, the intellectual property implications, particularly in relation to copyright, have become more tangible, and increasingly hosting websites have received cease and desist letters and take down notices.<sup>14</sup>

As far as intellectual property rights are concerned, the combination of digitisation and decentralisation has a profound impact on the application and enforcement of these rights. This is particularly the case for design rights.

### Registered Designs in Australia

In Australia, the *Designs Act 2003* (Cth) (“the Act”) provides for a system of registered design protection. Under this regime, protection is obtained through application to the national intellectual property office – IP Australia. Upon registration, the right is valid for a period of five years, subject to renewal for an additional five years.<sup>15</sup> It gives the right holder a temporary, exclusive right to do or to authorise certain acts in relation to the registered design or a design substantially similar to the registered design. These acts include making, offering to make, selling, hiring, importing, exporting or use of a product or article in which the design is incorporated or to which it is applied. These rights require re-examination in the light of 3D printing. In particular, the question arises whether the exclusive rights are limited to articles or products embodying the design in material form, or extend to acts in relation to the immaterial equivalent – the CAD model?

A design is “the overall appearance of the product resulting from one or more visual features of the product”.<sup>16</sup> These features include the shape, configuration, pattern and ornamentation of the product.<sup>17</sup> Protection extends to both two-dimensional and three-dimensional items, which include simple products, component parts of complex products if they are made separately, or the overall appearance of complex products.<sup>18</sup> Designs must be “new” and “distinctive”.<sup>19</sup> The condition of novelty requires that no identical design has become part of the prior art base.<sup>20</sup> In addition, distinctiveness requires the design to create a substantially different overall impression to designs that are part of the prior art base.<sup>21</sup>

The Act makes the distinction between primary and secondary infringement.<sup>22</sup> Primary infringement occurs when a person makes or offers to make a product that embodies the registered design, while secondary infringement entails dealing in infringing items, including importation, sale and other forms of distribution. To establish infringement, it

is necessary that the design is “identical” or “substantially similar in overall impression” to the registered design.

The TRIPS Agreement allows Member States to provide in their national legislation exceptions to the protection of industrial designs.<sup>23</sup> These exceptions may not “unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.”<sup>24</sup> Australia has enacted a spare parts defence to enable competition in the secondary market for spare parts. Under section 72 of the *Designs Act 2003* (Cth), it is not an infringement of the registered design right to use a component part for the purposes of repair. The spare parts defence is particularly relevant in the context of 3D printing which allows enables the on-demand manufacturing of spare parts.

### The User-based Test that Underpins the Scope of Designs Protection

The requirements for registration of a design together with the exclusive rights conferred on the rights holder determine the scope of protection in a design. The interpretation of key conditions within each of these two factors is established by a user-based test. This test underpins the design rights system and is likely to give rise to subjective appraisals within the 3D printing ecosystem. Traditionally, designs were aimed at a specific consumer group, i.e. consumers who would buy and use a particular physical product. In the 3D printing environment, designs, both in digital and physical form, are available to a broad audience that not only consists of passive consumers, but consumer-innovators. The latter group is not only concerned with merely using the design, but is involved in the customisation and follow-on creation of existing digital designs.

Both the test for registration and infringement of a design involve an identical concept. In particular, the registration requirements of distinctiveness is examined through the perspective of the informed user, and requires the consideration of the factors specific in section 19 of the Act. In turn, section 71(3) refers to these factors to determine infringement. In other words, for there to be infringement, the allegedly infringing design must be similar in overall appearance, thus not distinctive, from the registered design. Consequently, section 19 plays a pivotal role in determining the scope of design protection.

The assessment of whether a design creates a substantially similar overall impression to requires the consideration of various factors through the standard of the informed user.<sup>25</sup> This is “the person who is familiar with the product to which the design relates, or products similar to the product to which the design relates”.<sup>26</sup> Section 19 provides various factors that need to be considered, including the “state of development of the prior art base” and “the freedom of the creator of the

design to innovate”.<sup>27</sup> The latter factor becomes of particular relevance in the context of 3D printing.

It is contended that democratised creativity might demand a reassessment of this user-based standard. The judgment of this concept arguably differs for CAD models and physically printed items. For example, in the European Union (“EU”), which applies a similar user-based test, commentators have argued that the user of CAD models is the person utilising the 3D printing platforms, rather than the person who buys the product in the traditional retail context.<sup>28</sup> However, users are increasingly involved in the design process, and the distinction of concept of “user” and “expert in the field” likely becomes blurred. Subject to 3D printing becoming widespread, technical constraints will likely influence the overall impression by the user.

It is further unclear how the freedom of the designer will be assessed. On the one hand, the designer’s freedom is lower because of the increasing number of companies and individuals who design CAD models, while on the other, the technical capabilities of 3D printing enhance the designer’s freedom by allowing for the creation of increasingly complex geometries compared to traditional manufacturing methods.<sup>29</sup> At least for some applications, design limitations constitute another factor that limit a designer’s freedom and could further contribute to a lowering the bar. For instance, material extrusion requires the designer to take into account overhanging parts and support structures. Conversely, in enabling the creation of complex geometries 3D printing arguably provides designers more freedom.<sup>30</sup>

### Registration of Designs

In the previous section, we discussed the extrinsic requirements for designs protection. This section continues that investigation by looking in more detail at the additional requirements for registration, including protectable subject matter and disclosure.

#### *Subject Matter*

The fact that the law appears to protect designs applied to physical items, rather than digital versions thereof, has caused some uncertainty in the legal literature. The Act protects designs applied to “products”, which are, in turn, defined as things that are “manufactured or hand made”.<sup>31</sup> The result is that some commentators have looked at the possibility of protection of CAD models in their own right, i.e. as graphic symbols.<sup>32</sup> However, such an analogous application appears far-fetched and is arguably contrary to the wording of the law.<sup>33</sup>

Registration of a design requires disclosure of the design. As we will ascertain later in detail, disclosure does not involve the application of a design on a physical item, but includes a wide variety of publications, including through graphical representation. Hence, the fact that the design solely exist

in digital form does not preclude the existence of design protection. Subsequently, registration must be done in the relevant underlying product category of the Locarno classification.<sup>34</sup>

#### *Disclosure Through CAD Models*

The fundamental principle underlying design protection is disclosure, which starts the term of protection. In return for a temporary monopoly, the design becomes part of the pool of “prior art” and becomes available for the public to use after expiry of the relevant rights. Disclosure can take place through application for a registered design, which requires the submission of a “graphic representation” of the design. Subsequently, the question becomes pertinent as to what extent a CAD model can be used as a graphic representation for the purposes of an application for a registered design right.

IP Australia administers the registration process, which is predominantly digitised. The *Designs Regulations 2004* (Cth) (“the Regulations”) determine that the application must, among others things, include a representation, or information that appears to be a representation.<sup>35</sup> Section 5 of the Act defines a “representation” as “a drawing, tracing or specimen of a product embodying a design or a photograph of such as drawing, tracing or specimen.” In addition, Schedule 2 to the Regulations sets forward further administrative requirements, including the particulars regarding photographs and digital images. However, guidance as to digital 3D representations remains absent from the Regulations, and unlike its European counterparts,<sup>36</sup> IP Australia only allows for the submission a 3D CAD model as a visual aid to the mandatory 2D representation, rather than an official representation to define the scope of protection.<sup>37</sup>

The use of computer-generated graphic images, including 3D CAD models, in a design application should be subject to caution.<sup>38</sup> On the one hand, the representation through 3D CAD models can be beneficial as it enables applicants to disclose features which may not be discernible in others way of representation, such as surface decoration.<sup>39</sup> On the other hand, computer-generated images could create uncertain regarding the subject matter for which protection is claimed. They can fail to convey the design information and often lack a clear way to disclaim elements of the design for which protection is not sought. Applicants should ensure that the digital models accurately reflect the elements wherefore protection is sought and not more.<sup>40</sup>

#### *Infringement*

Decentralised manufacturing is likely to lead to increased infringement of design rights. This section assumes that similarity between the two designs has been established. It must be noted that before the rights holder can initiate an infringement action, the design must be examined and certified.<sup>41</sup> IP Australia operates as a non-examining office,

which means that a registered design is granted subject to fulfilment of the formal requirements. However, this right is not enforceable until IP Australia has examined and subsequently certified the design.

In the physical environment the enquiry is relatively straight forward. The person who “makes”, i.e. 3D prints, or offers to make a product that embodies a protected design without authorisation of the right holders, infringes the design rights.<sup>42</sup> “Making” is likely to be interpreted in a technology-neutral way to include 3D printing. Interestingly, in *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty*,<sup>43</sup> Jessup J extended “making” to the person who “directs, causes or procures the product to be made by another”.<sup>44</sup> Accordingly, the person who instructs a 3D printing service to print an infringing design is liable, even though he did not “make” the article himself. Some commentators have argued that a person, by uploading a CAD model to a printing service, commits an act of direct infringement by procuring the making of a registered design.<sup>45</sup> However, the decentralised nature of the direct infringement makes it difficult to detect, and infringers are in large numbers, difficult to locate, or arguably not worth suing.

The subsequent dealing with infringing products, including the importation into Australia for sale or for the purposes of any trade or business, and the sale, hire or disposal thereof, amounts to secondary infringement.<sup>46</sup> However, these actions must be for the purpose of “trade or business”. This means, for example, that consumers who import infringing products for private or domestic use do not infringe the design rights.

In addition, the design regime does not provide protection against indirect material use of the design by, for instance, prohibiting the supply of digital versions of the design to enable the “making” of a product embodying the registered design. For this reason, it is critical to address the extent to which design rights can be used to prevent other forms of exploitation that do not involve the making of material objects, but the creation and dissemination of digital models embodying the design. Subsequently, the question as to whether the scope of design rights covers digital, immaterial designs becomes pertinent. The need to address this question becomes increasingly clear in the light of the copyright-design overlap.

### **Copyright-Design Overlap**

One of the issues within designs law is that the protection offered under the registered design regime has the potential to overlap with the protection provided under copyright.<sup>47</sup> The overlap between copyright and designs law arises in two distinct situations. The first situation is when copyright and designs law both protect the same subject matter. In particular, copyright subsists in artistic works that can be eligible for registered design protection, including sculptures,

engravings and works of artistic craftsmanship.<sup>48</sup> The second situation entails the indirect copyright protection of works eligible for design protection through copyright in the design drawings. In this context, the potential overlap arises from the fact that the owner of the copyright in a two-dimensional artistic work has the exclusive right to reproduce the work in three-dimensional format.<sup>49</sup> For instance, a vase protected as a registered design could also be protected – indirectly – as an artistic work under copyright, based on the copyright in the drawing of the vase.

While it is generally accepted that copyright subsists in CAD models, it remains unclear how they would be qualified, i.e. as a sculpture, drawing, etc.<sup>50</sup> However, irrespective of the qualification of CAD models under copyright, the fact is that registered designs can also receive protection under copyright law through the digital representation thereof – the CAD model. In the context of 3D printing it becomes imperative to re-examine the potential overlap, in particular because digital and physical embodiments are separated by a mere few mouse clicks. A potential result, for instance, is that while the design rights in a particular object may have expired, copyright in the respective CAD model could prevent the manufacturing of the product.

The intent of the legislators is that industrial designs should be protected under the *Designs Act 2003* (Cth), rather than (also) through copyright as artistic works.<sup>51</sup> The *Copyright Act 1968* (Cth) puts the legislators’ intent into effect by the introduction of sections 74-77A, as amended and clarified by the *Designs (Consequential Amendments) Act 2003* (Cth). In broad terms, the result of these sections is that is that where a “corresponding design” to an artistic work has been registered or industrially manufactured and commercialised, it is not an infringement of copyright in that work to reproduce it by embodying it in a product. It should be noted that in the context of 3D printing, the owner of the registered design and copyright would need to be the same. The effect of section 75 is that where copyright subsists in a CAD model and a “corresponding design” is or had been registered, it is not an infringement of copyright in the CAD models to reproduce, i.e. 3D print, the underlying model. Thus, once a design has been registered, the design right holder has to rely on de registered design right, rather than copyright in the CAD models.

In addition, the result of section 77 is that where an unregistered “corresponding design” has been applied industrially, copyright in the artistic work is not infringed by the reproduction thereof. This section also applies where a complete specification that discloses a product or a representation of the product is published in Australia. According to the *Designs Regulations*, “industrial application” takes place when a design is applied “(a) to more than 50 articles; or (b) to one or more articles (other than handmade articles) manufactured in lengths or pieces.”<sup>52</sup> This definition, however, is not exhaustive and it remains

unclear how it will be interpreted in relation to 3D printing. In fact, the decentralised nature of 3D printing makes it difficult to establish the extent of actual materialisation, thus manufacturing, of the underlying design. However, CAD models arguably qualify as “a complete specification that discloses the product” or “a representation of the product”, and the publication thereof would imply that the copyright in the CAD models is not infringed by the making of physical reproduction thereof.

### ***Equating CAD Models to Physical Goods***

Design protection generally involves a “design” applied to a “product”. In the 3D printing context, prior to being physically 3D printed, designs only exist in digital form – as CAD models embedded in a design file. At this stage, the design merely appears as a digital model on a computer screen. The *Designs Act 2003* (Cth) defines a “product” as “a thing that is manufactured or hand made”.<sup>53</sup> This raises the question whether a CAD model can amount to a registrable design?

In answering the question whether CAD models can be equated to physical objects, two schools of thought exist. Conventional scholarship argues that infringement only occurs when there is a physical product, and use of a CAD model embodying a protected design does not amount to infringement.<sup>54</sup> According to these scholars, a CAD model is “a digital representation of the product and not a product created by the registered owner that exercises any of the exclusive rights in the registered design”.<sup>55</sup> This perspective significantly limits the right holder’s ability to enforce his or her right against intermediaries considering the design regime does not provide protection against indirect use of the design.

A second school of scholars consider the closeness between the digital and physical world, and finds such application unduly restrictive.<sup>56</sup> The primary consideration is that CAD models present the object exactly as it would appear in the physical world – in three dimensions – and it can largely be considered equal to physical embodiments of the design. The arguments of most commentators are based on European legislation. In the EU, both the *Design Directive*<sup>57</sup> and the *Community Design Regulation*<sup>58</sup> grant the designs rights holder “the exclusive right to use it and to prevent any third party not having his consent from using it”.<sup>59</sup> The notion of “use” is wide,<sup>60</sup> and although the definition seems to be constructed for the physical environment, it does not appear to exclude use of the design as or in immaterial media, such as CAD models.<sup>61</sup> Thomas Margoni points out that the general and open-ended definition of “use” does not explicitly excludes acts in immaterial medias from its scope.<sup>62</sup> In his analysis, the central question is whether or not the immaterial design creates the same overall impression on an informed user as the material design thereof.<sup>63</sup> Other commentators point to case law by the German Supreme

Court,<sup>64</sup> which recognised protection of the “design as such”.<sup>65</sup> However, it remains unclear whether this reading will be accepted by the CJEU and other national courts.

### ***A Legislative Solution***

In absence of a certainty regarding the scope of design protection for CAD models, a potential legislative solution can be found in the unregistered design right (“UDR”) regime of the United Kingdom (“UK”).

Under the UK UDR regime the reproduction of a design by making articles to that design amounts to primary infringement. Users and intermediaries also infringe UDR by for commercial purposes importing<sup>66</sup> and dealing<sup>67</sup> with infringing articles of which they know or have reason to believe are infringing.<sup>68</sup> Similarly, the person who authorises a third party to make an article to a protected design also infringes the UDR.<sup>69</sup>

Important for the purpose of this article is section 226(1) (b) of the *Copyright Designs and Patents Act 1988* (UK). This provision holds that the making for commercial purposes of a “design document” embodying the design, for the purpose of enabling physical articles to be made, constitutes infringement.<sup>70</sup> CAD models – the cornerstone of 3D printing – are likely to qualify as design documents.<sup>71</sup> It is not required that the design documents actually be used to create the physical item as long as the purpose of the making of the design documents is to enable the manufacturing. The provision is limited to the making for commercial purposes, and consequently a user is allowed to make a CAD model for personal and private purposes without infringing the UDR.<sup>72</sup> Notably, and perhaps counter intuitively, acts other than the “making” of the CAD models, including the subsequent dissemination, reproduction and even sale in the course of business of CAD models for the purpose of enabling 3D printing, do not amount to infringement.<sup>73</sup>

On the European policy level, a solution in line with this approach has been considered. The *Legal Review on Industrial Design Protection in Europe*, a study commissioned by the European Commission, recognised the shortcomings of design law in the enforcement of rights in relation to 3D printing. In response to this legal gap, the study recommended the introduction of a provision granting the owner of a design certain rights in relation to the respective design documents.<sup>74</sup> It further provided alternative solutions, including that the lawmaker could make the authorisation of any of the exclusive rights of the rights holder, without his permission, an act of primary infringement.<sup>75</sup>

### ***The Risk of Absolute Protection***

Registered design rights are “true monopoly rights”.<sup>76</sup> Registration of a design, followed by publication thereof, acts as notice to third parties. Subsequently, intent and knowledge do not form a pre-requisite for registered design

infringement, and the proprietor can object to the use even if the design was independently created. The rights holder is merely required to show that a new design produces the same overall impression as a registered design. While it is reasonable for mass manufacturers to research design protection, this places a heavy burden on consumers who download, customise and 3D print CAD models without knowledge of the prior art. The result is that consumers and other parties likely unintentionally and unknowingly infringe a third party's design rights. In the absence of exceptions, this is likely to be problematic for consumers and intermediaries who could face a wave of infringement claims.

### *The Spare Parts Defence*

One of the primary uses of 3D printing is likely to be for the production of on-demand spare parts. Design law has long struggled with spare parts as they must fit or match the overall object in order for it to function.<sup>77</sup> Design law not only provides exclusive rights over the complex object or parts thereof, but also over replacement parts that are crucial to maintain the use of the object. The Act does not exclude so-called must fit or match features from design protection. Instead, it allows for the registration of complex products and their components, however, subject to a defence for situations where such parts are used for the purpose of repair. Section 72 provides that a registered design is not infringed where a component part is used for the purposes of repair so as to restore its overall appearance in whole or part. Repair includes restoring or replacing a decayed or damaged component part of the complex product to a good or sound condition, the replacing incidental items when restoring or replacing a decayed or damaged component part of the complex product, and maintenance on the complex product.<sup>78</sup>

With this in mind, the production of 3D printed component parts that restore that overall appearance of the product will not constitute infringement. Examples include door parts for fridges and washing machines, and parts of a vacuum cleaner.

### **Review of the Designs System**

In recent years, two Australian reviews have examined the system of design protection.<sup>79</sup> The 2015 report by the Advisory Council on Intellectual Property ("ACIP") specifically dealt with the law of registered designs. The report considered the issues of 3D printing and whether Australia should introduce unregistered design protection. It stated that only a few stakeholders were in support of reforms to the design system to address 3D printing, and evidence to support reforms remained missing.<sup>80</sup> Consequently, ACIP recommended "no change to the design system at this time to respond to 3D printing and scanning technologies".<sup>81</sup> Without directly examining its relationship to 3D printing, ACIP recommended that no regime of unregistered design protection be introduced.<sup>82</sup> The Australian Government

accepted these recommendations, along with most of the other 21 recommendations.<sup>83</sup> While the Government agreed that in absence of evidence it would be premature to take legislative action, it said to "continue to monitor technological developments and their implications for the design system".<sup>84</sup>

In 2016, the Australian Productivity Commission undertook an examination of Australia's intellectual property system, including design law. However, the Commission did little to advance the work of ACIP in relation to impact of 3D printing on the design system, and merely supported the position that no changes be made to design system at the time.<sup>85</sup> The Australian Government's response to the report is silent on the issue of design law and 3D printing.<sup>86</sup>

### **Concluding Remarks**

The aim of this article was to explore the application of design rights in the 3D printing environment. It has shown that the *Designs Act 2003* (Cth) is unable to deal with this new technology, and decentralised design and production may give rise to gaps in the legal protection provided by design rights. Whether these shortcomings require legislative intervention remains open for debate. While the introduction of more extensive rights for the owner of a registered design have been proposed, the Australian Government does not appear to be in favour of this approach because of lack of evidence. Indeed, empirical research indicates that activity on online file sharing platforms is not a mass phenomenon as yet and that fears concerning widespread consumer 3D printing are mostly pre-emptive.<sup>87</sup> However, as the intellectual property implications are becoming increasingly tangible, one can only expect it will only be a matter of time before design law faces similar challenges. And when the evidence emerges, the law must follow.

# Designs Law and 3D Printing: Global Issues in the Local Context of Australia

- \* PhD candidate, University of Cape Town, South Africa, Research Assistant, Intellectual Property Unit, University of Cape Town.
- 1 Much of this hype has been fuelled by media reports on individual success stories that tend to neglect differentiating between consumer, industrial and research applications of the technology. For instance, C Anderson, 'The New Makerbot Replicator Might Just Change Your World', *Wired* (online), 19 September 2012, <<http://www.wired.com/2012/09/how-makerbots-replicator2-will-launch-era-of-desktop-manufacturing>>; 'Print Me a Stradivarius – How a New Manufacturing Technology Will Change the World', *The Economist* (online), 10 February 2011 <<http://www.economist.com/leaders/2011/02/10/print-me-a-stradivarius>>. The Garner hype cycle, which represents maturity, adoption and social application of specific technologies, shows that consumer 3D printing has only now gone through its peak of inflated expectations. See Gartner, *Hype Cycle for Emerging Technologies* (2017) <<http://www.gartner.com>>.
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  - 3 The uptake of design rights has arguably been low. Productivity Commission, *Intellectual Property Arrangements*, Productivity Commission Inquiry Report No. 78 (23 September 2016), 336–37 <<http://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>>. See also C Sexton, 'The Australian Designs System – the "Poor Cousin" of IP in Need of a Timely Overhaul?' (2013) 95 *Intellectual Property Forum* 2.
  - 4 *Paris Convention for the Protection of Industrial Property*, opened for signature 20 March 1883, 828 UNTS 305, (entered into force 26 April 1970).
  - 5 *Berne Convention for the Protection of Literary and Artistic Works*, opened for signature 9 September 1886, 1161 UNTS 30 (entered into force 5 December 1887).
  - 6 *Agreement of Trade-Related Aspects of Intellectual Property Rights*, signed 15 April 1994, 1869 UNTS 229 (entered into force 1 January 1995) ('TRIPS Agreement').
  - 7 The *Copyright Act 1968* (Cth) provides for provisions against dual protection. *Copyright Act 1968* (Cth) ss.74–77A.
  - 8 Other commentators approach the 3D printing terminology differently. For instance, Bechtold refers to 3D printing in a narrow sense as a basic extension of normal inkjet printing, while considering 3D printing in the broader sense as the set of currently available 3D printing technologies. S Bechtold, '3D Printing and the Intellectual Property System' *WIPO Economic Research Working Paper No. 28* (2015), 4 <[http://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_econstat\\_wp\\_28.pdf](http://www.wipo.int/edocs/pubdocs/en/wipo_pub_econstat_wp_28.pdf)>.
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  - 13 I Gibson, D Rosen and B Stucker, *Additive Manufacturing Technologies* (Springer, 2<sup>nd</sup> ed, 2015) 30.
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  - 15 *Designs Act 2003* (Cth), s.46(1).
  - 16 *Designs Act 2003* (Cth), s.5, definition of "design".
  - 17 *Designs Act 2003* (Cth), s.7.
  - 18 *Designs Act 2003* (Cth), s.6(2). A "complex product" means a products comprising at least two replaceable component parts permitting disassembly and re-assembly of the product. *Designs Act 2003* (Cth) s.5.
  - 19 *Designs Act 2003* (Cth), s.15.
  - 20 *Designs Act 2003* (Cth), s.16(1).
  - 21 *Designs Act 2003* (Cth), s.16(2).
  - 22 *Designs Act 2003* (Cth), s.75(2) juncto s.71.
  - 23 *TRIPS Agreement*, art.26(2). This formulation shows analogy with the three-step test found in copyright law.
  - 24 *RIPS Agreement*, art.26(2).
  - 25 *Designs Act 2003* (Cth), s.19(1)–(3) juncto s.19(4).
  - 26 *Designs Act 2003* (Cth), s.19(4). See also *Multistep Pty Ltd v Source and Sell Pty Ltd* (2013) 105 IPR 342.
  - 27 *Designs Act 2003* (Cth), s.19(2)(d).
  - 28 V Elam, 'CAD Files and European Design Law' (2016) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 151, [83]–[85].
  - 29 EUIPO case law has established that the crowdedness of a certain field, and technical constraints, limits the degree of designer's freedom. See, for example, OHIM Third Board of Appeal, in *Mafin S.p.A. v Leng-D'O'r S.A.*, decision of 4 November 2010, 20–21.
  - 30 Subject to hardware limitations.
  - 31 *Designs Act 2003* (Cth), s.1(6).
  - 32 For instance, T Margoni, 'Not for Designers: On the Inadequacies of EU Design Law and How to Fix It' (2013) 4(3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 225; V Elam, 'CAD Files and European Design Law' (2016) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 151.
  - 33 Images that solely occur on a computer screen are substantially different from CAD models, which have the characteristic to be physically manufactured. In particular, CAD models apply a design to a digital product. See also T Margoni, 'Not for Designers: On the Inadequacies of EU Design Law and How to Fix It' (2013) 4(3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 225, [47].
  - 34 CAD models for which design protection is sought for the underlying design must be registered in the relevant product category of the underlying products and not in the class for blueprints (i.e. class 19-08 for 'other printed matters'). See The Locarno Agreement Establishing an International Classification for Industrial Designs, signed 8 October 1968, 828 UNTS 435 (entered into force 27 April 1971).
  - 35 *Designs Regulations 2004*, Statutory Rules No. 117, 2004 s.3.10(c).
  - 36 EUIPO accepts .obj, .stl, and .x3d file formats. <<https://euipo.europa.eu/ohimportal/en/attachments>> accessed 6 August 2018. See also, UK IPO, 'DPN 1/16: Guidance on Use of Representations When Filing Registered Design Applications' (2016) <[www.gov.uk/government/publications/designs-practice-notice-dpn-116/dpn-116-guidance-on-use-of-representations-when-filing-registered-design-applications](http://www.gov.uk/government/publications/designs-practice-notice-dpn-116/dpn-116-guidance-on-use-of-representations-when-filing-registered-design-applications)>.
  - 37 IP Australia, *File Your Application* (2016) <<http://www.ipaustralia.gov.au/designs/applying-design/file-your-application>>.
  - 38 See *PMS International Group Plc v Magmatic Limited* [2016] UKSC 12.
  - 39 In a drawing.
  - 40 For instance, EUIPO allows for the exclusion of certain features from the scope of protection through the use of boundaries, colouring, shading and broken lines. However, it is unclear how such exclusions can be applied to 3D CAD models, particularly represented as solid objects.
  - 41 *Designs Act 2003* (Cth), s. 73(3).
  - 42 Subject to exceptions.
  - 43 (2008) 166 FCR 358
  - 44 *Review Australia Pty Ltd v Innovative Lifestyle Investments Pty* (2008) 166 FCR 358, 363 (per Jessup J). It should be noted that the acts of making are territorially linked.
  - 45 M Adams, 'The "Third Industrial Revolution": 3D Printing Technology and Australian Designs Law' (2015–2016) *Journal of Law, Information and Science* 56, 68–69.
  - 46 *Designs Act 2003* (Cth), s. 71(1)(b)–(d). The keeping of infringing products for the purpose of sale, hire, disposal or any trade business equally amounts to secondary infringement. *Designs Act 2003* (Cth), s.71(1)(e).
  - 47 See C Golvan, 'The Copyright/design Overlap: An Appropriate Balance under the New Design Legislation' (2004) 59 *Intellectual Property Forum* 36.
  - 48 *Copyright Act 1968* (Cth), s.10(1) definition of "artistic work".
  - 49 *Copyright Act 1968* (Cth), s.21(3).

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- 51 WA Rothnie, 'The Vexed Problem of Copyright/design Overlap' (2005) 60 *Intellectual Property Forum* 33. See also *Gold Peg International Pty Ltd v Kovan Engineering* (Aust) Pty Ltd [2005] FCA 1521 [201].
- 52 *Copyright Regulations* 1969 (Cth) reg.17.
- 53 *Designs Act* 2003 (Cth), s.6(1).
- 54 See, for instance, M Hall, '3D Printing – Some Challenges' (2013) 25(10) *Australian Intellectual Property Bulletin* 213, 214; M Adams, 'The "Third Industrial Revolution": 3D Printing Technology and Australian Designs Law' (2015–2016) *Journal of Law, Information and Science* 56, 70; Similarly, Bradshaw, Bowyer and Haufe argue that design files solely concern copyright law. S Bradshaw, A Bowyer and P Haufe, 'The Intellectual Property Implications of Low Cost 3D Printing' (2010) 7(1) *SCRIPTed* 5, 20.
- 55 M Adams, 'The "Third Industrial Revolution": 3D Printing Technology and Australian Designs Law' (2015–2016) *Journal of Law, Information and Science* 56, 70. See also M Hall, '3D Printing – Some Challenges' (2013) 25(10) *Australian Intellectual Property Bulletin* 213, 214.
- 56 V Elam, 'CAD Files and European Design Law' (2016) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 151, [130]–[131]; A Nordberg and J Shovsbo, 'EU Design Law and 3D Printing: Finding the Right Balance in a New E-Ecosystem' in Rosa Maria Ballardini, Marcus Norrgård and Jouni Partanen (eds), *3D Printing, Intellectual Property and Innovation – Insights from Law and Technology* (Wolters Kluwer, 2016) 285–286.
- 57 *Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs* [1998] OJ L 289/28 ('*Design Directive*').
- 58 *Council Regulation (EC) 6/2002 of 12 December 2001 on Community Designs* [2002] OJ L 3/1 ('*Community Design Regulation*').
- 59 *Design Directive* art.12(1); *Community Design Regulation* art.18(1).
- 60 U Suthersanen, *Design Law: European Union and United States of America* (2nd ed, Sweet & Maxwell 2010) 134.
- 61 T Margoni, 'Not for Designers: On the Inadequacies of EU Design Law and How to Fix It' (2013) 4(3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 225, [43].
- 62 T Margoni, 'Not for Designers: On the Inadequacies of EU Design Law and How to Fix It' (2013) 4(3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 225, [44].
- 63 T Margoni, 'Not for Designers: On the Inadequacies of EU Design Law and How to Fix It' (2013) 4(3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law* 225, [45].
- 64 BGH, Judgment of 7 April 2011 – I ZR 56/09 (KG) ICE, GRUR 2011, 1117.
- 65 A Nordberg and J Shovsbo, 'EU Design Law and 3D Printing: Finding the Right Balance in a New E-Ecosystem' in Rosa Maria Ballardini, Marcus Norrgård and Jouni Partanen (eds), *3D Printing, Intellectual Property and Innovation – Insights from Law and Technology* (Wolters Kluwer, 2016) 285.
- 66 *Copyright, Designs and Patents Act* 1988 ('*CDPA*') s.227(1)(a).
- 67 Which includes possessing for commercial purposes, and selling, letting for hire, or offering or exposing for sale or hire, in the course of a business. *CDPA* ss.227(1)(b)–(c).
- 68 *CDPA*, s.227(1).
- 69 *CDPA*, s.226(3).
- 70 *CDPA*, s.226(1)(b).
- 71 While the Act does not provide a general definition for "design document", it is submitted that the provision-specific definition found in section 51 of the *CDPA* applies.
- 72 Acts are done in relation to an article for commercial purposes if it is done with "a view to that article being sold or hired in the course of a business". *CDPA*, s.263(3).
- 73 Primary infringement solely applies to the 'making' of the design document. However, dealing with infringing design documents does not amount to secondary infringement because design documents are explicitly excluded from the definition of 'infringing articles'. *CDPA* ss.227(1)(c) and 228(6).
- 74 J Dumortier et al, 'Legal Review on Industrial Design Protection in Europe (MARKTD2014/083/D, 2016) 132–33 <[https://ec.europa.eu/growth/content/legal-review-industrial-design-protection-europe-0\\_de](https://ec.europa.eu/growth/content/legal-review-industrial-design-protection-europe-0_de)>.
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- 78 *Designs Act* 2003 (Cth), s.72(5).
- 79 Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report (March 2015) <[http://www.ipaustralia.gov.au/sites/g/files/net856/fl/acip\\_designs\\_final\\_report.pdf](http://www.ipaustralia.gov.au/sites/g/files/net856/fl/acip_designs_final_report.pdf)>; Australian Government Productivity Commission, *Intellectual Property Arrangements*, Productivity Commission Inquiry Report No. 78 (23 September 2016) <<http://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf>>.
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- 82 Advisory Council on Intellectual Property, *Review of the Designs System*, Final Report (March 2015) 41, recommendation 22 <[www.ipaustralia.gov.au/sites/g/files/net856/fl/acip\\_designs\\_final\\_report.pdf](http://www.ipaustralia.gov.au/sites/g/files/net856/fl/acip_designs_final_report.pdf)>.
- 83 Australian Government, *Government Reponse – ACIP Report Review of the Designs System* (6 August 2016) <[http://www.ipaustralia.gov.au/sites/g/files/net856/fl/government\\_response\\_-\\_acip\\_designs\\_review\\_-\\_final\\_pdf.pdf](http://www.ipaustralia.gov.au/sites/g/files/net856/fl/government_response_-_acip_designs_review_-_final_pdf.pdf)>.
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# From Fast Fashion to Wearable Technology – the intersection of design, innovation, and the law in New Zealand

Lauren Butchers<sup>1</sup>

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## Abstract

This article will focus on the burgeoning wearable technology industry, and the interrelationship between different forms of intellectual property protection available to this new class of products. By considering both the importance of fashion as well as the growing influence of wearable technology, the limitations of traditional forms of intellectual property – patents, designs, and copyright – become apparent. Although New Zealand law has traditionally made a clear distinction between these forms of protection, wearable technology may change this. This article will first review current legal protection and its rationale and will then consider what options are available for more practical protection of wearable technology going forward.

*Technology could enable us to radicalize the definition of what fashion means.<sup>2</sup>*

## Introduction

In 2016, the Metropolitan Museum of Art in New York announced the theme for its annual gala: “Manus x Machina: Fashion in an Age of Technology”. The curator explained that, “this distinction [between fashion and technology] has become increasingly blurred as both disciplines have embraced the practices and techniques of the other”,<sup>3</sup> and the gala provided the world with a glimpse of what such a collaboration could look like. Viewers everywhere saw actress Claire Danes’ fibre-optic gown literally light up the red carpet, and Karolina Kurkova’s “Cognitive Dress” change colour as it transmitted the emotions of her Twitter followers through the LED lights embedded in the material. Advances such as these take wearable technology from the laboratories to the red carpet, moving us one step closer to a world of truly fashionable, and accessible, technology.

Technology today is big business for New Zealand. The sector is the country’s fastest growing, contributing NZ\$16.2 billion to the national GDP, making it our third largest export earner behind dairy and tourism.<sup>4</sup> The industry itself touches on every other major market, and in particular – fashion. While not traditionally aligned industries, each year both sectors expend considerable creative energy imagining new designs, prototyping them, and producing them for the masses. In 2018 the international fashion industry is valued at US\$3 trillion,<sup>5</sup> and the domestic market value of the industry makes up NZ\$5.3 billion,<sup>6</sup> a significant contribution to the New Zealand economy. Indeed, despite the New Zealand fashion sector having rather inauspicious beginnings, its image has been transformed in recent years with the likes of New Zealand brands Karen Walker, TwentySeven Names, and Lonely gracing runways locally and overseas.

The vital role both industries play in New Zealand’s economy means we are uniquely situated to consider the wearable technology landscape, and the different scopes of protection available under New Zealand law. The emergence of wearable technology leaves many fashion players with the choice of either learning to profit from it or having to compete with it. However, there is also much confusion regarding appropriate intellectual property protection for this new market. Given the inherently competitive, fast-paced, and changing nature of both industries, designers and innovators are rightly concerned with ensuring that their intellectual property rights are adequately protected.

By focusing on the wearable technology industry, this article will consider the intellectual property concerns that are common to both designers and technology companies. To strategically protect all intellectual property created in the production of wearables, one will have to consider protection available under patents, copyright, design rights, trade marks, trade secrets, trade dress (although this paper will not discuss the later three here). By considering current intellectual property protection and prior attempts to reconcile these rights, I will then suggest that in the rapidly changing landscape of wearables, intellectual property law needs to develop.

## Context

### *What is wearable technology?*

After being heralded as “the next big thing” for some time, wearable technology has certainly captured the attention of the consumer. Wearable technology is a category of technological devices, worn by an individual, that can allow the device to gather data from the wearer or from

the surrounding environment and enables that data to be transferred to another device or shared via the cloud. These devices are meant to be real time, 24/7 trackers of exercise level, mood, caloric intake, proximity to destination – their current and potential application is endless.

The market for this technology is projected to grow rapidly. Revenues from wearable devices is expected to generate US\$73.27 billion hardware revenues by 2022, compared to US\$19.37 billion in 2014.<sup>7</sup> International Data Corporation predicts that within the next few years, the wearable technology market will double, from its 2017 production of 113.2 million shipments to 222.3 million shipments in 2021.<sup>8</sup> By leveraging the already huge success of smartphone technology, mobile applications, and health devices for data collection, it is easy to envisage a future where all clothing incorporates technology in some way. Glasses frames are already being redesigned to hold wires or lasers, watches are being altered to provide tracking devices and internet accessibility, and handbags are being reconfigured to accommodate circuit boards.<sup>9</sup> Closer to home, New Zealand wearable technology company StretchSense has developed a range of smart stretch sensors that have been well received both domestically and abroad in a range of fitness and medical applications.<sup>10</sup>

Beyond this however, wearable technology is moving from wearable accessories to being truly integrated into garments, in the form of smart fabrics and the like. These innovations promise to provide greater connectedness and opportunity for collaboration between the technology and fashion industries, which will need to be truly in sync to provide products with broad market appeal. However, the fusion of technology and fashion is not a seamless one.

### ***Fashion is a factor***

The role of fashion in the evolving wearable technology market cannot be understated. For example, in a survey conducted in 2015, 50 percent of consumers rated the look and design as “extremely important” in their choice of wearable.<sup>11</sup> While technological advances make such goods possible, to appeal to the mainstream market, it is important that technology companies pay attention to the consumer’s expectations with regard to style, separate from function.<sup>12</sup> Failure to initially address this has meant much of the fashion world has been slow to adopt many of the latest technological innovations, with many considering wearable technology “cold and sharp” or “dorky”.<sup>13</sup> These devices allow fashion to intersect with functionality, but design and branding are important priorities to consider for consumers who focus on both the look and fit of what they wear.

To capitalise on this growing market and to address consumer concerns, many technology companies have been hiring or partnering with fashion houses to make their technology more design-friendly. For example, Fitbit has brought on

designer Tory Burch to assist with creating accessories to accompany its fitness tracker, Apple has partnered with designers from Yves Saint Laurent and Burberry to design more “functional fashion”, including products like the Apple Watch<sup>14</sup> and the Google Glass was launched at a Diane von Furstenberg runway show.<sup>15</sup>

Indeed, it appears more companies are appreciating the role of design as an integral part of wearable technology. As consumers move beyond wearable accessories and start to look for fashionable technology integrated within already on-offer garments, the “cool” factor that accompanies such brands will become even more integral to the technology’s success. The increasing presence of design in this realm can also be viewed as an opportunity for manufacturers and designers alike – it provides them with the ability to differentiate their product lines, or partner with different brands or labels to target a potentially new audience.

However, with any sort of collaboration or partnership, it is important to be able to protect the assets created – the intellectual property stemming from the technology design as well as intellectual property stemming from the clothing design. Indeed, recent surveys indicate that the fashion industry are very aware of intellectual property and its impact.<sup>16</sup> As these two industries begin to merge and influence each other, it is easy to imagine that the line between the two will become less linear. It is clear that appropriate intellectual property protection for this emerging industry need to be as cutting-edge as the products created, and the law will need to find a way of addressing this.

### ***The creation of the work***

Before discussing the potential types of intellectual property protection that could apply, it is important to consider the creative process to make a piece of wearable technology.

The creation of a piece of fashion apparel typically follows a standard process, which would also be applicable to the creation of a piece of wearable technology. First, the designer will set out in a sketch or a series of sketches the particular design, which will then be used as the basis for the creation of a dressmaking pattern for mass production. For wearables, this stage would also include engineering sketches of any technological additions to the fashion apparel, and consideration of how that would interact with the piece. Many technological devices also communicate information with and to other connected devices, such as a smartphone, which would have to be considered and integrated at this stage, usually in the form of an application or “app”.

A prototype garment will then be made, which allows the designers to evaluate the fit, fabric, technological application, and overall function of the work and make changes as needed. Once these changes are finalised and incorporated into the dressmaking pattern and technological design, the prototype will then be used to make graded dressmaking patterns to

provide for different sizes or fits (if required). If applicable, the chosen materials will then be cut to size and attached together to create the final product ready for market.

Those wishing to misappropriate another designer's work will typically see the final product ready for sale, rather than the work created as part of the production process. Accordingly, to copy a garment or new piece of technology one would typically purchase and reverse engineer the piece rather than take the original dressmaking pattern or engineering sketches. However, if these sketches are lodged on a register (such as a design or patent) or otherwise published, they may be able to reproduce them from that source.

## Current state of intellectual property protection

There is no single form of intellectual property suitable for the protection of wearable technology products. Rather, protection can be by way of copyright, patents, and designs – this has caused confusion for designers, inventors, and legal practitioners alike.<sup>17</sup>

### *Copyright protection in New Zealand*

Copyright is the legal protection given to creators of various original works (provided that the work meets the threshold for protection), and protects their form of expression in that work. Traditionally, copyright in New Zealand derives from three key principles – “the incentive thesis”, “sweat of a man's brow”, and “thou shall not steal”.<sup>18</sup>

The *Copyright Act* 1994 (NZ) (the *Copyright Act*)<sup>19</sup> defines copyright as “a property right that exists in original works of various descriptions”.<sup>20</sup> The first category of works described under this definition is “literary, dramatic, musical or artistic works”.<sup>21</sup> The sub-category of “artistic works” is most applicable to the fashion and technology industries. In New Zealand, the term of protection is the life of the author plus 50 years from the end of the year in which the author dies.<sup>22</sup>

The category of “artistic work” is a broad and controversial category of works. It includes articles that an ordinary person might consider artistic works, as well as articles which no-one would describe as particularly creative. The *Copyright Act* further defines these works to include, “a graphic work, photograph, sculpture, collage, or model, irrespective of artistic quality; ... or a work of artistic craftsmanship”.<sup>23</sup>

Each original “artistic work”, developed at any stage of the design process, may therefore be individually capable of copyright protection.<sup>24</sup> Design sketches and dressmaking patterns have been held to be artistic works,<sup>25</sup> and a sample garment has been found to come within the *Copyright Act*'s definition of a “model”.<sup>26</sup> Further, case law has held that a key aspect of a piece of work falling within the definition of “model” is if it was produced with the aim of being a representation, rather than a finished product.<sup>27</sup> Graphic works are further defined in the *Copyright Act* to include any painting, drawing, diagram, map, chart or plan, and any

engraving, etching, lithograph, woodcut, print, or similar work.<sup>28</sup> This definition includes engineering drawings, such as a drawing of a connector part.<sup>29</sup> On the face of it, a number of different works created during the wearable technology design process would therefore fall within the definition of “artistic work” – initial sketches, engineering designs, the finalised dressmaking pattern, and prototype garments.

The other category of “artistic work”, a work of artistic craftsmanship, is also worth examining. Importantly, the *Copyright Act* does not provide further guidance for what sort of works fall within the definition of artistic craftsmanship – only that such works cannot fall under any other definition of artistic works, and that they do not include a layout design or integrated circuit.<sup>30</sup> The leading New Zealand authority on a work of artistic craftsmanship is the Court of Appeal case of *Bonz Group (Pty) Ltd v Cooke* (“the *Bonz* decision”), which held that unlike drawings and models, a work of artistic craftsmanship must have some aesthetic appeal.<sup>31</sup> While limited case law has followed this decision,<sup>32</sup> in light of the narrow approach taken in both Australia and the United Kingdom, subsequent judges may be inclined to limit the *Bonz* decision to the facts, and potentially seek to differentiate the hand-knitted jumpers in that decision from a mass-produced garment.<sup>33</sup> In theory however, this too may cover many of the wearable technology works produced, and in particular the final product.

An artistic work under the *Copyright Act* may also be considered “industrially applied” if more than 50 three-dimensional copies of the work have been made.<sup>34</sup> This categorisation appears to be the most applicable when considering the position of wearable technology. The copyright period for an industrially applied work of artistic craftsmanship is 25 years, or 16 years if it is another type of artistic work.

The *Copyright Act* defines copying, in relation to an artistic work, to mean making a three-dimensional copy of two-dimensional work or the making of a two-dimensional copy of a three-dimensional work.<sup>35</sup> This gives the author of an artistic work the exclusive right to reproduce the work, including in three-dimensional or two-dimensional form.<sup>36</sup> The courts have protected a range of works that were initially conceived as a drawing or model (such as a dressmaking pattern, garment sketch, or engineering drawing), provided it meets the industrial application threshold. Copyright can therefore subsist in the sketches of the garment and the dressmaking patterns, the prototype garments, and even the commercial three-dimensional garment itself.

### *Originality in copyright in relation to the fashion industry*

To be protected by copyright, a work must be sufficiently original. New Zealand courts have held that “the determining factors is whether sufficient time, skill, labour or judgment has been expended in producing the work” to consider the work “original” for the purposes of copyright.<sup>37</sup> There is no emphasis on distinguishing types of skill and labour in New

Zealand jurisprudence. The courts have held there is a low threshold of originality for copyright New Zealand.

Despite this low threshold of originality, it can still prove difficult to justify copyright protection for fashion designs. As Hillyer J found in *Thornton Hall Manufacturing Ltd* (the *Thornton* decision):

*there must always be certain fundamentals in any garment which frequently has sleeves, usually a back, certainly a front, possibly a collar, pockets, buttons, etc.*<sup>38</sup>

Further, fashion is often derivative of past seasons, designs, and trends – creativity in this field often involves reworking a piece that has come before. Against this backdrop, many may argue that nothing that is truly “new” can be forged.<sup>39</sup> Finally, trends typically converge on a particular influence or season – while a wide variety of pieces are created at any one time, easily identifiable trends emerge which come to distinguish a particular season’s style.<sup>40</sup> This phenomenon, known as “anchoring”, is enforced by critics and journalists alike who identify trends and encourage their broader consumption by the masses. Against this backdrop, determining whether sufficient independent skill and labour justifies copyright protection can be difficult.

Because of the derivative nature of fashion, the functional restraints of clothing, and the process of “anchoring”, copyright is likely to subsist not in the individual features of any garment, but in the holistic combination of the features being used together in a novel way. This is known as collocation. This was seen in the *Thornton* decision, where the court found that while many features of the dress were not unusual, the various known features used together created a unique piece of fashion capable of copyright protection.<sup>41</sup> A collocation claim only relates to the arrangement together, and does not protect the features individually. In *Henkel KGaA v Holdfast New Zealand Ltd*,<sup>42</sup> the Supreme Court suggested that if the labour or skill in creating this arrangement is not significant, then another “arrangement of the same unoriginal features may not have to depart greatly from the copyright arrangement to avoid infringement”.<sup>43</sup>

It is worth noting that New Zealand is comparatively enlightened in regards to our copyright protection for fashion designs. While we have long recognised and protected designer rights, this is not the international norm – when the recent United States Supreme Court *Star Athletica v Varsity Brands*<sup>44</sup> decision held that aesthetic design elements of clothing may be capable of copyright protection, something already accepted in New Zealand, the judgment sparked a global furor.<sup>45</sup> However, it is yet to be seen if New Zealand would go so far as to protect a piece of clothing as ordinary as a cheerleading uniform.

### **Design protection in New Zealand**

Apart from copyright, fashion designers could also protect their designs under the *Designs Act* 1953 (NZ) (“the *Designs*

*Act*”), which provides protection against unauthorised use of a registered design. A design registration provides protection for all aspects of the article’s appearance, such as its shape, configuration, pattern or ornamentation. The protection of the appearance of a new or original design applied to a product is particularly applicable to fashion designs – noting that designs that are purely functional are excluded from protection.<sup>46</sup> However, as most manufactured articles involve an element of designer choice, design protection is generally available. It is important to note that for designs to maintain novelty, it cannot be publicly disclosed in New Zealand before the application is filed (with limited exceptions).

As opposed to copyright, the *Designs Act* creates a system for the registration of new designs, which once registered give the proprietor a monopoly to apply the design to a named article for a 15-year period. Registered designs are territorial, so separate applications must be filed in every country the designer wants protection. However, convention priority can attach to such applications if filed within six months of a corresponding application in New Zealand.<sup>47</sup>

### *Originality threshold*

When applying for design protection, the design must be “new and original”.<sup>48</sup> This threshold can prove difficult for fashion designs and it sets a higher bar compared to copyright law. A design is not registrable if, at the date of its application, it is the same or differs immaterially from an existing design that has been registered or published in New Zealand.<sup>49</sup> The test for originality is whether, when assessed as a whole, the design is substantially similar in appearance to any article already made. Rather than the proprietor needing to prove copying (as required under copyright law) the test for infringement is simply whether the alleged article has substantially the same appearance as an already registered or published design. However, a design can be novel if it incorporates two existing designs together in a novel way. Any prior publication can destroy novelty (with limited exceptions).<sup>50</sup> Importantly, the *Designs Act* follows the practice of local rather than worldwide novelty.

### *Dual protection between design and copyright*

An artistic work may be able to enjoy protection under both the *Copyright Act* and the *Designs Act*. While the notion of dual protection is considered undesirable, New Zealand has not at this stage taken the Australian approach of including provisions to prevent this overlap.

From a practical perspective, almost all wearable technology could be eligible for dual protection by copyright and design. Inherent is the term “industrial application” which, as discussed above, provides copyright protection for original three-dimensional artistic works produced more than 50 times. Therefore, a three-dimensional work could be registrable under the *Designs Act* and/or protected as an industrially applied artistic work under copyright law.<sup>51</sup> The

solution to addressing this overlap has been to make the duration of one term in line with one another. Therefore, the position for an artistic work that is registered as a design is that it will retain copyright protection for the same length of time as the design protection – 15 years. If the work is not registered, it is then protected by copyright for 16 or 25 years, depending on artistic craftsmanship.

When the design registration expires, it will no longer be an infringement of copyright to reproduce it in three dimensions, or in two dimensions if required for the production of the three-dimensional version, however it is still an infringement if a two-dimensional work is copied directly from the underlying two-dimensional work.<sup>52</sup>

In practice, registered design protection for clothing is rarely used in New Zealand. Recently conducted searches on the online designs register found 52 filed, pending registration, or registered designs in relation to clothing garments.<sup>53</sup> This may reflect the fact that registration is required for design protection, which offers little incentive given the likely broader and automatic protection offered by copyright. Registration may also be considered expensive and impractical, considering the seasonal and continually changing industry.

However, the advantages of registered designs are obvious. A registered design provides a registered proprietary right recording what the design is, the date of creation, and the owner of such rights. In a copyright dispute, each of these points must be established. Further, the details of the registered design are published and easily searchable, acting as record and an effective deterrent for potential infringers. Conversely, copyright has no similar centralised registration system in New Zealand, creating a minimal deterrent. Importantly, to succeed in proving copyright infringement for an unregistered design, you must show that copyright subsists in the work, you own that copyright, and the alleged infringer copied your work. Proving this can be difficult. By comparison, the owner of a registered design simply needs to establish that the allegedly infringing product does not substantially differ from the registered design.

### **Patent protection in New Zealand**

Patent law provides protection for an invention that is novel, involves an inventive step, is useful, and otherwise falls within the definition of a patentable invention under the *Patents Act* 2013 (NZ) (“the *Patents Act*”). While a registered design only protects the article’s appearance, a patent can provide broader protection for the functional aspects of the invention. A granted patent gives the registered proprietor the exclusive right to manufacture, use, exercise, sell or licence, and import the patented invention for a period of 20 years from the date of application.<sup>54</sup> Like a design, a patent registration affords the owner a fixed monopoly over the invention without having to monitor any third-party use for copying.

The process for obtaining a patent is relatively costly, and requires substantial examination by the relevant patent office, and typically takes at least two years to progress. A New Zealand patent also only protects the invention domestically. If an inventor wishes to protect the invention overseas, it is necessary to obtain a patent in each country where protection is required. One way this can be achieved is by individually filing patent applications at the national patent office of each country the inventor wants protection in within a year of the New Zealand filing, ensuring all foreign applications can claim priority from the original filing date of the New Zealand application.<sup>55</sup>

The other option is to seek international patent protection using the *Patent Cooperation Treaty*,<sup>56</sup> which allows proprietors to seek protection in a range of contracting states on the basis of the original patent.<sup>57</sup> An international patent application is filed within 12 months of the date of filing the initial New Zealand patent application, which provides the option of proceeding with separate patent applications in all *Patent Cooperation Treaty* member states at a later time. Patent applications must then be filed within the specified time limit of each country concerned.

An important update in the patent pipeline is the *Trans-Pacific Partnership Agreement (CPTPP) Amendment Bill* 2018 (NZ).<sup>58</sup> This Bill will make changes necessary for New Zealand to ratify the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (“CPTPP”),<sup>59</sup> the final agreement between New Zealand and 10 other trans-Pacific countries that includes many of the elements that were negotiated as part of the more ambitious, *Trans-Pacific Partnership Agreement*.<sup>60</sup> Currently under the *Patents Act*, disclosures of the invention prior to filing a patent application are fatal to obtaining protection and a “grace period” may only be given in very limited circumstances.<sup>61</sup> This approach differs from other international jurisdictions, including many of our closest trading partners (although noting it is in line with many European countries).<sup>62</sup> The *Trans-Pacific Partnership Agreement Amendment Act* 2016 (NZ) amended this section of the *Patents Act* by inserting sub-section 9(1)(e), which effectively provided a 12-month grace period for the public disclosure of new inventions.<sup>63</sup> The *Trans-Pacific Partnership Agreement (CPTPP) Amendment Bill* 2018 (NZ) will change the name of the *Trans-Pacific Partnership Agreement Amendment Act* 2016 (NZ) to the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership Amendment Act* 2018 (NZ) and ratify this sub-section along with the rest of the required changes to comply with the CPTPP.<sup>64</sup>

The introduction of a grace period is a welcome and commercially significant development for innovators, allowing inadvertent disclosures and the ability to review consumer interest to fall squarely within this exception. Once ratified, this change will bring New Zealand law in line with many of our international allies, including Australia, the United States, Japan, and Canada. The author submits

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this would better address globally changing trends and inventions, which is arguably more beneficial and in line with our borderless society today. However, it is important to note that this grace period will only apply if the patent date is on or after the commencement of the Bill, which provides little comfort for inventors wishing to launch earlier.

A patent offers the best way to protect competitive functional technology, as its broad, exclusive rights can stop others from making, selling, using and importing devices with technology that infringes the patent's registration. Importantly, this means that any similar invention, regardless of whether it was copied from the patent itself, can infringe the patent. In relation to wearable technology, this could include sensors, interfaces, controls, software, mechanical components, fabric, methods, kits, stability, or improved batteries.<sup>65</sup> While fashion designers have not typically considered patent protection because of the high novelty standard, the growing integration with the technology sector has led many to reconsider this approach. Equally, patents have been a key source of protection for technology companies to ensure their latest innovation is not replicated by a competitor.

Modern fashion is more than providing a necessary function – instead, clothing now works to express creativity, opinions, and individuality. If the benefits of fashion design serve beyond its aesthetic value, patent protection may become a more viable option moving forward. Currently, the complexity and one off nature of many wearable technological designs (such as the Met Gala's LED inspired dress) have ensured their protection, as the technology is hard to mass produce. However, once manufacturing multiplies, fashion designers will have to face another avenue of potential infringement from their competitors.

The protection of computer software and programs in New Zealand law creates a further issue. While international agreements have required computer software to be considered a literary work under copyright law, there is no similar provision for computer software to be recognised as patentable. International patent offices have therefore differed in their interpretation and scope of protection for computer software, and many jurisdictions exclude computer software's patentability or only allow it if it has a technical effect. Under New Zealand's *Patents Act*, computer programs are specifically excluded. However, in the example of a patentable contribution provided by a computer program in the *Patents Act*,<sup>66</sup> while the only thing different in a machine is the computer software, the actual contribution is the fact the machine is working differently, rather than the computer software. The computer program is only the way in which the new method is implemented. This suggests that a piece of wearable technology that is run through an application, produced for the purpose of communicating with the wearable technology, may be able to be protected under the patent application to stop other manufacturers replicating aspects of it.

### *Patent protection overlap*

Because a design registration only provides protection for the appearance of the article, and patent protection only protects the functional elements of the design, in practice often both may be applied for to achieve broader protection for a new product.

Section 74(1)(a) of the *Copyright Act* does not allow for dual protection under copyright and patent law, and the innovative work required to achieve a patentable standard is relatively high comparative to copyright protection.

### *Patents in practice*

Internationally, patenting activity in the field of wearable systems, including biomechanical, physiological, and biochemical sensing technology has increased sharply over recent years.<sup>67</sup> While some wearable technologies, such as heart rate monitoring and accelerometers, have been around for decades and make up half of the patented wearable technology today, emerging technologies are increasing their patent protection steadily. Reports show that the top 10 patent holders span a number of different industries, including electronics healthcare, telecommunications, sport, and medical devices, demonstrating the convergence of technologies in the wearable market.<sup>68</sup> In the United States, there have been more than 40,000 patent applications published on wearable electronics in the past five years alone.<sup>69</sup> Still in its infancy, the industry's potential has attracted attention from both large and small companies alike – all vying for a market share.

Once a company receives patent protection the race is not won. Indeed, enforcing a patent's rights is one of the costliest legal options available. In February 2014, Adidas sued Under Armour in relation to its fitness app, "MapMyFitness", for infringing a number of its patents relating to fitness tracking devices.<sup>70</sup> Adidas asserted that the patents concern systems and methods that propose fitness routes to the users, track the user's performance, and display the performance information to the user.<sup>71</sup> While the parties reached a settlement in 2016 with Adidas granting Under Armour a licence to use its patents, enforcement by way of litigation is by no means over.<sup>72</sup> Companies such as Fitbit, BodyMedia and Jawbone have also sought remedies in this manner.<sup>73</sup>

These disputes may take time to resolve, if we use earlier smartphone litigation as guidance. However, these pending lawsuits warn about wider patent disputes in relation to wearable technologies. While the smartphone market may provide guidance, the wearable technologies market is a far more crowded playing field with the likes of Adidas, BodyMedia, Fitbit, Jawbone, Nike, Polar, Samsung, Apple, TomTom, Under Armour – the list goes on. These companies and their commercial trackers constitute just a fraction of wearable technologies, and highlight how the sector could develop. Just as patent battles have erupted over fitness and

activity trackers, patent owners in other wearable technology sectors will no doubt utilise their growing patent collection to fight for an even greater market share.

However, this crowded marketplace may prove useful for the dissemination of technology. Recent international developments have seen an increasing number of “standard-essential” technology patents being disseminated through fair, reasonable, and non-discriminatory terms (known as “FRAND”) licensing agreements.<sup>74</sup> This concept has been adopted by the mobile phone industry, where manufacturers realised they would have to agree to develop unified standards to promote the widespread adoption of their products.<sup>75</sup> This concept is equally applicable to the wearable technology sector. To ensure one company did not end up with a monopoly on the industry based on a preferred piece of technology, standard-setting organisations set common standards for the industry to ensure compatibility and interoperability of devices manufactured by different companies. Once the organisation has determined what patents are essential for the implementation of any given standard and adopts the patent’s technology, the patent can then be licensed to third parties on FRAND terms. While the individual country determines whether the inventor is automatically required to grant permission to the standard-setting organisation,<sup>76</sup> the ability to level the playing field between manufacturers harmonises the private interest of patent holders with the wider accessibility and dissemination of technology to the consumer. *Unwired Planet v Huawei* (the *Unwired Planet* decision)<sup>77</sup> is a further breakthrough for the handling of FRAND terms. This April 2017 decision ruled that the court can decide what is FRAND and determine what a licensee should pay to use the “standard-essential” patented technology by providing guidance to develop licensing agreements.<sup>78</sup> This breakthrough, helping clarify the relationship between licensee and licensor of a “standard-essential” patent, will provide greater precision when entering these agreements. With the packed wearable technology marketplace, clear “standard-essential” patent licensing and the further advancement of standard-setting organisations will help ensure wider dissemination of the latest developments, while maintaining incentives for companies to innovate and participate in the standardisation process.

### Intellectual property rationale and allowing for change

Much discussion on wearable technology has focused on the different applications of intellectual property, but has disregarded the policy basis for the protection. However, these considerations are vital to any intellectual property law reform. I am hopeful that the Ministry of Business, Innovation and Employment’s issues paper reviewing the *Copyright Act 1994*, which is expected to be released for public consultation in the second half of 2018, will provide this backdrop. In this context, is it desirable to have an increased level of protection for wearable technology?

A common justification for much intellectual property protection is that without such protection, authors or designers would not be justly rewarded for their work, and disincentivised to develop new work.<sup>79</sup> However, the fashion industry directly challenges this traditional incentive-based justification. To cater to consumer demand and global appetite, fashion designers operate in a state of continuous innovation. Existing designs are constantly updated and replaced by new versions, making the previous design obsolete. In this environment of constant innovation and demand, many designs are often disseminated and reproduced, through fast fashion brands and rival stores alike. Despite this, the fashion industry has continued to grow and innovate, despite the lack of traditional safeguards available to other sectors. This environment of low intellectual property protection directly challenges the idea that greater rights foster greater creativity. Those against increased intellectual property protection for fashion designs often make this argument, arguing that knockoffs of designs act as a:

*turbocharger that spins the fashion cycle faster, so things come into fashion faster, they go out of fashion faster, and that makes fashion designers want to come up with something new become we want something new.*<sup>80</sup>

While New Zealand provides greater copyright protection than many other countries, the time, cost, and evolving nature of proving copyright means that the majority of claims never make it beyond the workroom floor. While it has been suggested this may reflect many disputes being settled prior to reaching court,<sup>81</sup> it is also submitted the blurred lines of what constitutes protection or derivation in the context of such a fast-paced industry simply make it an untenable option for many. With digital technology, copiers can make multiple replicas quickly, without degradation, and at low cost. While this means copyright work has a wider capacity, the ease of infringements has grown in correlation. This is even more so overseas, where copyright is effectively barred as protection for fashion designs.

Conversely, advocates of increased intellectual property protection argue that protection incentivises innovation, and without this input these new garments will not be created. While this argument has been challenged in the realm of standard clothing, its rationale is more persuasive for wearable technology – the energy expended and life cycle of these products is greater than traditional garments. Indeed, while many of the arguments for increased protection regarding “traditional fashion” fall flat, the justification for increased wearable technology protection is more convincing. The potential avenues of intellectual property protection available are also more diverse. However, without increased intellectual property protection in some form, the level of investment in capital and labour required to make wearable technology is not particularly attractive. It seems equitable that a designer should be entitled to the rights and associated benefits over designs created through their

skill and labour. Other forms of creative, technological, and artistic works are protected through a medley of intellectual property protection, with protection growing in recent years.<sup>82</sup> Should increasingly complex and time-consuming wares such as wearable technology, growing more distinct as its own market sector, be immune from this protection?

Design protection may be a viable option to designers and manufacturers, however in practice it is one designers seem weary to engage in – the cost, time, and standard required do not make it a realistic option. Further, the disclosure obligations are onerous. While wearable technology may increase the lifecycle of new designs, and thus make it more applicable to designers, currently design registration offers little incentive considering the broader protection offered automatically to qualifying works. However, if litigation becomes a growing source of recourse in a crowded wearable technology market, it may develop as a legitimate source of protection as the benefits in proving infringement are obvious. The details of the design are published and searchable, acting as a deterrent, and to prove infringement a design owner simply has to show that the look of the infringing product is substantially similar to their registered design. Compared to establishing copyright infringement, where an owner is required to prove that copyright subsists, they are the owner of it, and the infringer copied their work, proving registered design infringement is considerably more straightforward.

However, the greatest opportunity created by wearable technology for a designer's intellectual property is the potential application of patent law. It is easy to see how this could ultimately result in increased intellectual property protection for clothing designers (and resulting in a win for fashion designers pushing for greater design protection). As "smart" fashion begins to dominate the clothing industry rather than functioning as a niche market, this could have a number of far reaching effects on the current pace of the fashion industry and create an increased level of protection for their designs generally.

Those against this developing avenue of intellectual property protection argue that patents or designs have a high social cost. The rise of them as a form of wearable technology protection could raise prices of the individual garment, as well as creating an artificial scarcity by giving a monopoly to those who come first. Another argument those for decreased protection may make is that since fashion has a much broader application than a purely utilitarian purpose, patents may serve to accentuate socioeconomic and cultural divides by withholding access based on cost, not allowing it to filter to the masses through rip-offs. In theory, they submit that a low level of protection produces a stronger, more robust, and a more accessible market for fashion.

However when one looks to the "smartphone patent wars", you can see that in practice a range of products at different

price points have still emerged (exhibiting the real-world application of FRAND licensing agreements and the benefit of the *Unwired Planet* decision).<sup>83</sup> Summarising the fashion world as a "turbocharge" cycle continuously spurring on new trends simply ignores the rights of the individual designer, the copying of their creativity, and the growing influence of technology on this sector. Fashion is rapidly evolving and its aesthetic and technological advances could revolutionise wearable technology's reach, from a niche market to standard consumer fare. In the author's view, if we do not engage in these critical debates about whether fashion, and specifically the growing wearable technology industry, warrants a higher threshold of intellectual property protection in New Zealand, we may risk the losing the industry itself. The timely review of the *Copyright Act* provides an avenue to begin considering these issues. Executing an effective and thought out intellectual property strategy could go a long way in achieving success in this rapidly growing wearable device space.<sup>84</sup>

### **How should intellectual property protection apply to the fashion of wearable technology?**

In the author's view, the law as it currently stands is out of step with contemporary needs. Wearable technology combines two extremely lucrative industries, fashion and technology, both already thriving in the New Zealand economy. However the domestic law is still unclear about the intersection of different forms of intellectual property protection, and inconsistent international protection provides further uncertainty. It seems likely that challenges will mirror in part the intellectual property issues raised in the mobile phone sector, which will see such fights take place in courtrooms and legal offices across the world.<sup>85</sup> While the law has previously adapted to modern challenges, current developments are not being directly addressed and as such are affecting the balance between manufacturers, designers, and consumers.

Considering the differing forms of protection available to technology and fashion design, it appears that wearable technology will be protected by a potential patchwork of designs, patents, as well as limited copyright and trade mark rights. However, New Zealand has the opportunity to modernise the law in these industries, and provide appropriate and applicable forms of intellectual property protection in the modern age.

### ***Copyright as a viable option***

In contrast to many other countries, New Zealand has maintained copyright protection as the dominant model for infringement of artistic works, and its ability to protect wearable technology should be examined. New Zealand relies heavily on the underlying principles of copyright, and principally that one's labour should not be misappropriated unfairly.<sup>86</sup> Therefore copyright, providing automatic rights to the owner of works capable of protection against

derivation of the protected work, theoretically seems to be well-placed to respond to the protection of fashion design. This was seen in the recent *G-Star v Jeans West* case,<sup>87</sup> where the court found that Jeans West infringed G-Star's copyright by copying its Elwood jeans pattern, and were ordered to pay NZ\$50,000 in damages, despite only selling 63 pairs of the infringing jeans.<sup>88</sup>

Currently copyright is the only way to achieve even a low level of intellectual property protection without the rigmarole of registration. This has meant that for fashion designers, it has become the primary form of relief sought, rather than exploring other avenues. Further, while registrations can be used against anyone using a similar design, regardless of whether it was created independently of the party alleging infringement, copyright can only be used to restrain a copier reproducing the whole or part of the garment. This allows for the commonly shared features to be freely available, and only the reinterpretation of the features uniquely put together to be protected. On the face of it, this seems to be a limited but acceptable level of protection, allowing a balance between established designs and new works.

However, while the copyright regime in New Zealand seems to be able to protect a limited amount of collocation works, the time and cost to establish these rights based on uncertain protection is risky. Anytime there is unregistered protection, there is an element of ambiguity. As a common law jurisdiction, we are better equipped to keep up with rapid changes in technology because the law can be re-interpreted on a case-by-case basis. Despite this, the law and in particular copyright have not been able to keep up with the area of intellectual property in law reform in recent years, with the lag particularly apparent in the field of technology growth.<sup>89</sup>

As clothing merges with technology in new ways, the ramifications of any level of derivation from the original work will grow. Wearable technology will require greater manufacturing and design time, and the effect of copying will be felt. In a developing market, the impact of a company's signature wearable technology being replicated by a competitor will be even harsher, and hard to recover from. This seems to be the inevitable outcome if fashion designers only look to copyright and the thriving knockoff industry of disposable fashion. Given the range of previously unavailable or unexplored intellectual property protection options, other forms of intellectual property seem may be more applicable for the protection of wearable technology. A more practical approach to registration, coupled with the adoption of some type of grace period for designs and patents, could be a way to strike a balance between the ease of copyright protection and the greater certainty provided by patent or design registration. It could also assist the industry itself – while fashion has survived on imitation, wearable technology will require greater time, and people will not be willing to commit if the “turbo-charge” fashion cycle will dismantle their work immediately, with no repercussions.

### *Unregistered design rights and a “grace period” for registered designs*

One suggestion is to amend the law to include implementing unregistered design rights (“UDR”).<sup>90</sup> This would allow, if the design met certain criteria, for the owner to have automatic intellectual property protection. These protections are available in the United Kingdom, but only apply to three-dimensional designs, however in other jurisdictions such as the European Union, UDR laws cover both two- and three-dimensional works. In contrast to registered design rights, UDR are not a monopoly right, in the sense that only if a third party produces an article by copying is the UDR infringed. Interestingly, while UDR in the United Kingdom only cover the shape and configuration of the products, the European Union's protection covers the complete appearance of the product, which includes the lines, contours, colours, materials, texture and shape. In the context of wearable technology, either option would provide a level of coverage currently missing under domestic intellectual property law.

Uncertainties in this system are evident. When this option was considered in Australia, there were reservations about implementing it and whether the good would outweigh the bad.<sup>91</sup> Concern arose around whether protection was in force at the time of copying, whether the similarities between the two designs constituted an infringement of UDR, as well as worries about the removal of the requirement of the original design to satisfy the innovative threshold to warrant protection.<sup>92</sup> Notwithstanding these valid considerations, providing some level of unregistered design rights seems like a sensible suggestion to allow designs to be a viable form of intellectual property protection for wearable technology. In the European Union, an unregistered design is only protected for three years, and 15 years in the United Kingdom.

If New Zealand does not want to fully endorse an automatic unregistered design right, another option is for New Zealand to consider an initial 12-month grace period prior to a design application, allowing the owner to effectively be protected by copyright for this period.

In the fashion (and increasingly in the technology) industry, designs are quickly being updated and released to keep up with modern trends – a registered design is a slow and expensive option in this market. As there is no “grace period” in New Zealand (bar minimal exceptions), to maintain novelty a design cannot be used or published prior to filing. While New Zealand follows a local rather than global originality level for registered designs, with greater levels of dissemination, this is becoming an increasingly high threshold to adhere to. Further, the uncertain side-by-side and/or imperfect recollection tests that New Zealand uses to examine design infringements do not provide much guidance for those wanting clarity on their rights, or understanding easily if recourse is available. The result of this means that in practice, registered designs are not currently a viable option for wearable technology protection.

If New Zealand opted for an initial grace period, at the end the designer could elect to formally register the design and receive protection. When the design is a short-lived piece, the registration is not necessary, and they could rely simply on copyright protection for any design used and patent protection for any inventive technology involved. However, if there was a 12-month grace period, it would allow the designer to rely on the same protections while they assessed how viable the design could be longer-term. If it was a microtrend, the designer would likely not register, and the loss of protection would be minimal. Conversely, if it was successful the designer would be able to make an informed choice about appropriate intellectual property protection at this point. A greater number of wearable technology registrations would also have the flow on effect of providing greater clarity on the attaching rights and what qualifies for protection.

In conjunction with a grace period, there could be a reduced protection period for registered designs that are classed as clothing, to ensure the societal cost was not imposing too lengthy a monopoly. Regardless, an initial interim grace period or unregistered design rights would allow designers time to make a commercially informed decision on what protection is required, and provide the designer a practical solution to this current dilemma.

### ***Patent grace period***

Another suggestion seen internationally is a grace period for patent registrations, allowing wearable technology designers to launch and test their inventions prior to beginning the patent process.<sup>93</sup> As discussed, a grace period allows you to validly file an application for the new work within a certain period after a relevant public disclosure. Much of the rationale behind a grace period for designs is also applicable to patents. At the time of writing, New Zealand legislators have inserted sub-section 9(1)(f) into the *Patents Act* as agreed in the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*, which incorporates a grace period for patents. This sub-section has yet to come into force. The author's view is that we should bring this sub-section into force as soon as possible, rather than holding off until other treaty requirements are complete. Currently, New Zealand has limited disclosure allowances for patentable inventions, not the "full" grace period as seen in other jurisdictions. To maintain novelty in New Zealand a patent cannot be used or published prior to the application filing date.<sup>94</sup>

Once adopted, this grace period will grant designers the opportunity to determine whether the fashion, in combination with the technology, will be successful before seeking registration.<sup>95</sup> While patent law is not a solely domestic pursuit, the ability to have a grace period for new inventions in New Zealand will be a welcome revolution for inventors. Wearable technology, acting as a union between the fast-paced nature of fashion and the innovative, time-

consuming nature of technology, would benefit from such extended protection. The fact that fashion is becoming increasingly patentable – an industry that from an intellectual property perspective previously focused on design rather than technological innovation – may be cause to reconsider traditional intellectual property protection.

While patent protection has not typically been an avenue considered by fashion designers because of the high standards of novelty required, the commercial lifespan of the product, and the cost involved, the growing integration of the fashion industry with the technology sector means this rationale may no longer be applicable.<sup>96</sup> Equally, patents have been a key source of protection for technology companies to ensure their latest innovation is not replicated by a competitor. In the author's view, a practical patent system (which includes a grace period) will provide valuable rights to designers and best allow them to protect their competitive functional technology, and we should not delay in bringing this subsection into force. Such a system is not inconsistent with other forms of intellectual property protection, and with wearable technology meeting the required higher levels of novelty and inventiveness, its protection should not fall solely under traditional fashion safeguards. Indeed, the *Patents Act* changed requirements regarding examination of patents, removing its automatic requirement.<sup>97</sup> Instead, an owner of the patent application must request examination within five years of filing (or two months of receiving a direction, whichever is earlier). This effectively provides the patent with an "interim" form of patent protection without examination, until one of these two events occur. The author submits this is no different from allowing a grace period prior to application. In conjunction with the grace period, it would be beneficial for the intellectual property office to include a compulsory statement of novelty and inventiveness as part of the initial application. This requirement would help balance the designer's rights and innovation, while ensuring it is not overbearing and others can develop within the industry.<sup>98</sup>

It is worth noting that implementing a grace period for patents and/or designs is likely not to change much for traditional fashion garments outside of the wearable technology industry. Case law has already protected fashion collocations under copyright, and they typically do not meet the respective originality and novelty thresholds to qualify for protection under patent or design law. However, technology can often be protected by patents or registered designs, and assisting their domestic intellectual property protection, a move that (at least in relation to patents) New Zealand politicians already support, may help strengthen the industry and would seem to provide a sensible approach to this uncharted merger of intellectual property in the field of wearable technology.

An initial grace period will also allow a designer to test the marketability of the invention prior to application, and at 12 months elect to formally register the patent and

receive protection (if the invention had proved successful). Further, the designer would not have to go through the patent examination process for up to five years, providing the invention additional interim protection. By this point, considering the short-lived nature of the fashion industry, the technology and the piece of work itself may no longer be attractive to consumers. Regardless of the outcome, a grace period, coupled with the recent reversal of examination requirements, will allow an invention more time to discover its marketability and appeal (if applicable), whilst providing a practical level of protection in the interim.

## Conclusion

The development of the wearables market is uncharted, and it is too early to tell how this field will develop. However, intellectual property protection will likely play an increased role in wearable technology's future, and it is therefore important to consider what the scope of this protection should be. With both industries commanding a strong domestic presence in New Zealand, we are uniquely situated to be at the forefront of creative solutions to address this intersection. However, viable avenues of intellectual property protection are confusing and unexplored. The collaboration between technology and fashion is unprecedented, and must be protected for the sector's development. This could include bringing our patent and design law into line with many of our international allies, through adopting a grace period prior to registration, and could be done prior to ratifying our other international obligations. Other options include "standard-essential" patent licensing, FRAND terms, a potentially reduced protection term, or an initial statement verifying novelty upon application. However, the specific protections that are developed are less important than engaging in thorough consideration of the key issues at stake. Current policy reviews and legislative reform provide an avenue to robustly discuss these topics. Wearable technology has the ability to revolutionise the New Zealand economy – but to do so, its protection must similarly be revised. Regardless of the approach to wearable technology that is ultimately adopted, the importance of both sectors means this is not an opportunity we can afford to miss.

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# Recent Developments in IP in New Zealand – as at June 2018

Clive Elliott QC

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This is a summary of some of the key recent developments in intellectual property (“IP”) law in New Zealand over the past 12 months, as at June 2018. In this article I discuss a snapshot of some of the more relevant issues and touch on patents, trade marks and passing off, registered designs, the calculation of loss in IP disputes, and mention a couple of the more significant law reform proposals. For convenience, I will refer to the previous *Patents Act* 1953 (NZ) as the “old act” and the current, *Patents Act* 2013 (NZ), as the “new act”.

## Patents

The areas which have received recent attention in the patent area include pre- and post-grant amendments, Intellectual Property Office of New Zealand (“IPONZ”) practice in terms of post-grant revocation, and the often-vexed issue of support and enablement.

### *Amendment before Acceptance*

The two key provisions to do with amendment are section 40 and regulation 58 of the new act and *Patents Regulations* 2014 (NZ) (“Patent Regulations”) respectively. Section 40 states that any application for amendment must include:

- (a) reasons for the amendment;
- (b) a copy of the proposed complete specification;
- (c) a copy of marked up pages showing the amendments;
- (d) a statement setting out specific part/s of the original specification that supports each of the proposed amendments.

It is (d) above, the statement identifying where in the original specification support can be found, that has proved to be problematic of late. The IPONZ Examiners’ Manual states that in terms of support for amendment both objects and consistory clauses can be amended pre-acceptance, provided in doing so, the scope of the monopoly is not broadened. If there is broadening of the object clauses post-dating is needed. This, in and of itself, is not contentious.

The Examiners’ Manual also states that:

*... where support for the claimed subject matter can be found in the specification as originally filed ... The statement should identify where support for the proposed amendment can be found in the complete specification as it was originally filed.*

*R58 must be complied with in full prior to expiry of the period set out in regulation 80(1) i.e. before expiry of the period for placing an application in order for acceptance. Failure to meet this requirement risks the application being treated as abandoned.*

This issue was considered in *CNH Industrial Belgium NV*.<sup>1</sup> In *CNH* objection was raised by the examiner on the basis that there was a lack of specific support in relation to the phrase “or at least provide the public with a useful choice”. The applicant had added this phrase and the examiner took the view that the applicant could not point to a specific passage in the specification to support this.

The applicant, CNH, argued, through its attorney, that support could be found in the specification as a whole and therefore that there was no new matter. Further, the applicant argued that regulation 58(d) had been misread or misinterpreted by the examiner and there was in fact no substantive requirement for *specific* support. Further, the attorney argued that it was an entirely legitimate amendment and was aimed at reducing the risk of a later utility challenge and that this type of amendment was allowed in Australia and it was desirable for New Zealand to be aligned and for IPONZ to apply the rule in the same way.

The matter was heard by Assistant Commissioner Margaret Casey QC. The hearings officer agreed with the applicant’s broad reasoning. She found that this was a procedural regulation only and that the purpose of the provision was to improve the efficiency and speed of the examination process. In other words, the provision was aimed at assisting the examiner, so they could promptly identify, understand and assess the amendment.

At para 15 the hearings officer said:

*Regulation 58 is not intended, nor more importantly is it authorised by s 40, to prescribe substantive limits on the type of amendments that are allowed before acceptance. Where the Act does prescribe limits to amendments it does so expressly ... It would be contrary to the scheme of the Act for reg 58 to be read as imposing similar (and arguably more restrictive) limits on amendments pre acceptance, through an indirect mechanism of requiring an applicant to state where support for an amendment is found.*

### **Abstracts**

Regulation 33 of the Patent Regulations requires the abstract to outline the technical problem. The difficulty with this is that it is not always straightforward to identify a clear problem. It may also be difficult to identify the gist of the particular solution to the perceived problem. The current practice of requiring the identification of a clear problem in what is a very brief statement is proving to be cumbersome and baffling, particularly to many overseas associates.

The Regulations make it clear that in terms of amendments after acceptance there is no requirement in the current legislation for the amendment to be either by way of disclaimer, explanation or correction. These old categories are still however of persuasive value. Amendments after acceptance cannot be made unless there is an obvious mistake. That means that the applicant cannot introduce new material or subject matter or broaden the scope of the claim, or describe new matter.

The question is whether during opposition proceedings, greater scrutiny should be given to proposed amendments. That is, because they are not published for purposes of opposition. There is case law supporting this approach but to my knowledge it is not the routine procedure.

In *Resmed*<sup>2</sup> the hearings officer dealt with the issue of amendments after acceptance. The hearings officer made it clear that amendments made at this time cannot be unconditional and they cannot be withdrawn unless there are unusual circumstances.

### **Revocation of a Patent**

A number of questions need to be answered before deciding whether revocation at IPONZ is governed by the old or new act. If the application for revocation was filed after 13 September 2014 in relation to a new act patent, then the new act applies to the revocation proceeding.

It is important to remember regulation 103 requiring a valid counterstatement to be filed within two months or it is otherwise deemed to be abandoned. This provision is however being updated in the IP Omnibus Bill, discussed below.

There have been two decisions involving revocation of a patent before the Commissioner. The first is *Vital Foods*<sup>3</sup>. In this case section 41 of the old act applied. The claims were directed to a prebiotic material and their effect. The claims were drafted in Swiss type form. The revocation action was dismissed.

In the second of the two cases, *Bayer v Meria*<sup>4</sup> the issue related to a composition containing a macrocyclic lactone. The argument was that the main piece of prior art D1a was quite different. That is, in so far as it did not contain a clear disclosure of a composition containing a macrocyclic lactone.

Further, it was contended that there was no disclosure of the range of 1–50 percent w/v of a cyclic amide solvent and equally there was no disclosure of 1–20 percent w/v of castor oil.

The hearings officer accepted that there was no clear disclosure of these features. Further, the applicant for revocation, Bayer, argued that D1a gave a clear direction not to use a low percentage of castor oil. For these reasons the application failed.

- **Comparison between Australia and New Zealand**

In short, the comments above show that in terms of support, arguably there is now better alignment between Australia and New Zealand. It does however seem that in terms of support in New Zealand, arguably the IPONZ examiners were being over-zealous and inconsistent in terms of their examination. In *CNH* the applicant firmly pushed back, as it turned out, successfully. This is an illustration of vigorous decision making by the assistant commissioners and the situation being brought back into line.

However, with abstracts, this remains a work in progress and more needs to be done here.

In terms of revocation before the Commissioner, there is of course no equivalent ground in Australia. However, there is a separate ground in New Zealand and it is now being used more often, even though the first two cases have not proved to be successful, at least from the applicant's point of view.

### **Enablement**

The concept of enablement effectively amounts to a merger of the concepts of sufficiency and support into a broad ground known as “enablement”. In the United Kingdom the approach is to consider and compare the claims, through the eyes of a person skilled in the art. A distinction needs to be drawn between mere mention and verbatim concordance, the latter being pretty much the situation in Europe.

In *Biocon Ltd*<sup>5</sup> the hearing officer Victoria Casey QC found that the claims were not supported by matter disclosed in this specification pursuant to section 39(2)(c). This was a decision given at an interim examination hearing. The patent in issue covered a process for detection and optimal quantification of an analyte. The Assistant Commissioner upheld the examiner's decision and adjourned the matter to allow the applicant an opportunity to amend.

Claim 1 (in terms of its critical features) read as follows:

*A process for detection and optional quantification of analyte in biological sample ... The buffer comprising sodium citrate, citric acid, an emulsifier and HCl ... (emphasis added)*

The examiner's objection was that the general reference to “an emulsifier” was not found in the original specification.

In fact, the original specification referred to a particular emulsifier “Polysorbate 20”. This was referred to specifically in terms of defining the term “modified citrate buffer”, which in turn made reference only to Polysorbate 20.

The applicant argued that a buffer includes an emulsifier and that identification of a particular emulsifier was not part of the invention. The applicant therefore contended that any one of the range of standard emulsifiers would be effective. The applicant called in aid expert evidence. The expert evidence was that it was necessary to move beyond mere semantics and that what was important was what the specification said to the person skilled in the art. In this case the expert said that he recognised the broad function of Polysorbate 20 and also that the skilled person would realise that other non-ionic emulsifiers would also work. All that was necessary was a simple bench test to ensure that the particular emulsifier was in fact suitable.

The Assistant Commissioner was astute to this argument and said that even the expert’s own evidence was limited to non-ionic emulsifiers and that therefore there was no support for all categories of emulsifiers.

The Assistant Commissioner put the matter in these terms:

*[25] Adopting the approach to s 39(2)(c) set out above and comparing the invention described in the claims with the invention described in the specification, the invention described in amended claim 1 is for a formulation that includes an unlimited range of emulsifiers. The invention claimed in the specification as originally filed is not in such broad terms, and the reference to only Polysorbate 20 in the definition on page 8 speaks strongly against a broad reading.*

The Assistant Commissioner went on to hold that what needed to be looked at was a fair balance and this meant a claim which was also fair, i.e. not so broad that it went beyond the scope of the invention, but not so narrow as to deprive the applicant of a just reward for the disclosure. The conclusion was however that it was not permissible to cover all obvious modifications and equivalents.

Ultimately the applicant went away and amended the claims to a “non-ionic emulsifier”.

- Comparison between Australia and New Zealand

By way of comparison between Australia and New Zealand, in Australia *CSR Building Products*<sup>6</sup> stands for the proposition that the claims cannot be broader than the technical contribution provided by the patentee. To that extent *Biocon* adopts a similar approach.

It is clear from these developments that enablement represents an important concept/ground. Ultimately what needs to be achieved is a holistic balance between width and the breadth and scope of the claims. *Biocon* illustrates that the applicant has a significant practical advantage insofar as

expert evidence can be led. This is likely to put the applicant in a strong position *vis-a-vis* the examiner, who will not have the benefit of such expert evidence.

### Trade Marks

#### *Target*

The main focus of my discussion on trade marks is the recent decision in *Target Australia*.<sup>7</sup> By way of background, Target Australia was set up in 1926 and today has something in the order of 300 department stores in Australia. It has a turnover of approximately AU\$3 billion. What was in issue here was two trade mark registrations in New Zealand. One in Class 24 covering textiles; and other in Class 25 covering clothing.

Target New Zealand is a much smaller entity. It has eight stores which focus on furniture and homewares.

The two trade marks in issue are set out below.



The Australian mark is on the left, the New Zealand mark on the right.

In issue in this case were four categories or types of alleged use. The first was use by Target Australia on its website and sales via that website into New Zealand. The second category was sales of sheets through Kmart in New Zealand. The third category was alleged use of the trade mark through newsletters. Target Australia argued that customers with a .nz email address were able to access the Australian website and order goods in New Zealand. Fourthly, Target Australia relied on negotiations its officers had had with the New Zealand e-commerce website company TradeMe.

Focusing on the website (the first issue above) the argument was that the goods had been on-sold into the New Zealand market. The question however arose whether those sales were in trade or were for personal use. Target Australia argued that it had real New Zealand customers and had made sales in the order of NZ\$100,000. However, Assistant Commissioner Glover was unconvinced that these transactions comprised sales of goods using the trade mark in New Zealand. She drew a distinction between retail services and Target branded goods in classes 24 and 25 (the relevant classes in terms of use). It was use of the trade mark on these goods which was important and needed to be established.

The Assistant Commissioner found that there was no reliable evidence that goods had actually reached New Zealand. The only evidence was that they had been delivered to a range of Australian addresses.

Next, the hearings officer was not satisfied that there had been downstream use at all and would have expected emails,

shipping dockets, packaging invoices and evidence of the goods themselves. Indeed, there was no evidence that the trade mark Target had been used on branded goods as opposed to services.

For these reasons, the Assistant Commissioner found that there was no evidence of use of the trade mark on the relevant goods.

### **Kono**

The background to the *Kono*<sup>8</sup> case is that Kono, the registered owner, had three brands, Tohu (the primary brand), Kono (the secondary brand) and Koha (the mark in question) which was effectively a “surplus” brand.

In terms of trade mark revocation, in New Zealand, section 66(1)(a) requires use in the previous three-year period. That is, unless the owner is able to rely on special circumstances pursuant to section 66(2). The test for special circumstances is that articulated in the *Manbaas* decision,<sup>9</sup> namely that the party relying on the defence is able to show peculiar or abnormal circumstances, that these circumstances were causative of the failure to use the mark, and that use had been impracticable in a business sense.

Evidence led by the owner of the mark was there had been significant fluctuations in the availability of grapes. As a result, it argued that the volumes had been low and it had diverted its grapes to support its main export brand Tohu. Further, the evidence was that the Tohu brand was becoming increasingly popular. The net effect of this is that Koha, the surplus grapes brand, had been somewhat neglected as a result.

The applicant for revocation argued that this was no more than a deliberate business decision and it was an internal call that the owner had made. It argued that it could have had a small run of sales, even if grapes were in short supply.

Assistant Commissioner Aldred agreed and said that there was a marked mismatch between the evidence and the submissions. There was no evidence of any reputation for geographic focus, nor adequate evidence that it had suffered economically as a result or would have so suffered. Further, the Assistant Commissioner was unconvinced that the yields had been low in those specific years, at least in terms of the evidential basis.

Accordingly, it was found that the non-use was due to purely internal business decisions and the lack of evidence as to varieties, inability to use the mark during the whole period, and the availability of other options was important. Likewise, there was no evidence of a significant negative impact and likewise, the Assistant Commissioner was unconvinced that these factors had been causative of the non-use. The registered mark was therefore revoked.

- Comparison between Australia and New Zealand

By way of comparison between Australia and New Zealand, there are big differences in terms of the substantive provisions. First, in respect of the term of non-use, it is five years in Australia and three years in New Zealand. Another big difference is that there is no requirement to establish standing in Australia. However, in New Zealand the applicant needs to show it is an aggrieved person. The other big difference now is that in Australia there is an express discretion, whereas in New Zealand there is no longer any residual discretion.

It is also interesting to look at case law in Australia where, in cases such as *Dick Smith*,<sup>10</sup> it was found that there had been use of a trade mark whereas if one looks at the *Target* decision, there was a clear distinction between use as a trade mark as opposed to as a service mark.

Another big difference is that in Australia, as found in the *Barefoot* case,<sup>11</sup> it is not necessary to have conscious use of the trade mark. However, in New Zealand the use has to be conscious, as found in the Office decision *Cadbury*.<sup>12</sup>

However, in terms of similarities, one thing the *Target* case shows is that in terms of online use of a trade mark, the approaches in the two countries are pretty much the same – see *VinoMofa*<sup>13</sup> and *Target*.

### **Passing Off – Google Analytics**

The *National Mini Storage*<sup>14</sup> case involved two quite different logos, set out below:



In terms of the competing entities, National Mini Storage (“NMS”) is a New Zealand company. It has been going since 1991. It has nine branches, all in Auckland. It operates under the by-line or slogan “100% Kiwi Owned and Operated”. It states that it provides Auckland self-storage units with nine convenient locations, that are secure, professionally managed and great value.

National Storage on the other hand is an Australian business. It is a large operator in Australia but has only been operating in New Zealand since 2015. It has nine branches, all outside Auckland. Its by-line is that it is “solutions tailored”.

The AdWords used both companies were quite different. These are set out below:



What was important was the Google results page (“SERP”) which is set out below:



In the High Court, Muir J looked at the SERP and identified four types of information:

- advertisement (AdWords);
- organic listing (search terms, location & search history);
- Google maps listing; and
- knowledge panel.

In terms of the market, NMS and Storage King, another unrelated company, had 80 percent of the Auckland market. The Judge found that the self-storage market had low brand awareness generally, for example, there was evidence that NMS had something in the order of 6 percent unprompted brand recall. The Judge found that the SERP indicated a competitive marketplace. His Honour also found that National Storage was known in New Zealand through its sponsorship of, inter alia, the Brisbane Broncos.

In terms of potential customers, the Court found that more than 50 percent of the relevant customers would access a company through the internet. In addition to this, NMS’s profile was maintained through its website and street signage. Ultimately, the Court found that the word “mini” was key in this case. It also found that in terms of search strategy, most customers had a generic strategy, searching on Google using words such as “storage” and “storage Auckland” rather than using brand names.

The plaintiff argued that the key issue was initial interest confusion. However, Muir J found that there would be no confusion at the SERP. Firstly, he found that website access was a secondary consideration and that consumers were accustomed to a degree of ephemeral confusion and that they would resolve this by clicking through the web page. Further, he concluded that any confusion would be remedied before the transaction was completed.

The next argument was that imperfect recollection would lead to customers being misled and deceived. The Court however found that it was immaterial to a number of consumers. The Judge was also critical of the plaintiff’s expert’s calculations and ultimately fell back on the fact that any potential increase in volumes were explainable by the fact that consumers were aware of National Storage.

In terms of the relevant universe, the Court found that it needed to be shown that a substantial/significant number of persons would be misled. It defined the relevant universe as a subset of consumers who would know of NMS but would have imperfect recollection and use an internet search to find a provider.

In terms of the hypothetical internet user, Muir J found that this user had the following attributes:

- reasonably informed;
- attentive;
- reasonable degree of care – in all circumstances;
- perception and common sense.

In terms of descriptive terms, the Judge found that if the parties used generic or descriptive trading names, they have to live with a degree of confusion. As a result, the Judge concluded that small distinctions may be enough, and parties cannot expect to have a monopoly over purely descriptive words, as it would be anti-competitive and contrary to consumer protection to hold otherwise.

In terms of likelihood of confusion, ultimately the Judge found that this was unlikely based on the following factors:

- low brand awareness;
- reliance on internet searches;
- prominence and importance – “Mini”;
- strong differentiation in branding;
- descriptive trade marks; and
- suitable undertakings.

One of the interesting features of this case was the undertakings that the defendant offered to give. They were as follows:

- *Not use SEO [search engine optimisation] techniques to target phrases “national mini storage”, “national mini”, “mini storage” or “mini” in relation to Google searches;*

- Not use phrases “national mini storage”, “national mini”, “mini storage” or “mini” as keywords for Google AdWords campaigns;
- Apply/continue to apply “negative match” to keywords “national mini storage”, “national mini”, “mini storage” and “mini” in Google AdWords campaigns in relation to Google searches (so long as Google continues to offer this capability).

These undertakings had important practical consequences, because in considering whether there had been predatory conduct on the defendant’s part the trial judge rejected the argument that the undertakings were irrelevant and in any event were unenforceable. His Honour found they did not amount to an admission of liability and in fact were consistent with good faith conduct. That is, on the basis that they showed that there was a lack of intention to leverage off the plaintiff.

The High Court judgment was upheld by the Court of Appeal.

It is interesting to contrast this decision with the approach taken in Australia. Reference is made to two relatively recent cases, which are not necessarily representative of the situation in Australia but are instructive from a comparative point of view.

The first is *Insight Radiology*.<sup>15</sup> One issue which arose in this case was whether the Google analytical results were of assistance to the Court. The respondent argued that they had little probative value to establish that a reputation existed outside Western Australia. The argument was that they did not provide information of who visited the relevant website, why they visited the website or where they were resident when they did so. Nevertheless, Davies J found that this information did have some evidential value. Her Honour found that it was of probative value as a means to extrapolate from facts. The judgment was upheld on appeal. The Full Federal Court found that while the numbers were not large, they were “more than merely trivial” and this was sufficient to get the plaintiff across the line.

The next case is *Metro Business Centre*.<sup>16</sup> This case related to a dispute over the Centrefold trade mark. It was used to promote models and adult entertainers. The difference between the two was described by Rares J in suitably understated terms on the basis that the former was “less modestly attired and better remunerated” than the latter.

Ultimately the question was whether the parties’ respective uses was deceptively similar. The evidence was that Centrefold Entertainment’s business, based on an audience overview report, had dropped from 6,000 to 2,000 per month. On the other hand Centrefold Strippers’ website had increased by one million sessions, an increase of about 85 percent. The evidence was also that in terms of the sources of visits,

something in the order of just 0.39 percent originated from organic and paid keyword searches. This minuscule figure was for the word “centrefold”. It was also found that just 12 people had searched for “Centrefold Entertainment”.

As a result, Google’s analytic data was seen as far more relevant in finding<sup>17</sup> that the word “centrefold” should not have been registered as a trade mark and the trade mark registration should be cancelled and that the claim for passing off against the respondent, Centrefold Entertainment, failed.

- Comparison between Australia and New Zealand  
Comparing the approaches in our two countries, in *Insight* the Court found that the approach was to look at essential features for the “dominant cognitive cues”. This is broadly similar to the approach taken in New Zealand in *National Mini Storage* where the Court found that the word “mini” was the key distinguishing feature.

In Australia, descriptive elements are either excluded or discounted. This approach is not dissimilar from the approach that was taken in *National Mini Storage* where the Court looked at issues of prominence, importance and targeting.

In terms of Google analytics, in Australia they are seen as relevant, but perhaps somewhat more marginally. By contrast, in New Zealand, Google analytics proved to be of central importance in *National Mini Storage*. Perhaps, this could be characterised as Australia being somewhat more techno-sceptic in terms of Google analytics and perhaps also market surveys and other types of evidence gathering exercises, whereas in New Zealand arguably our courts are more techno-comfortable and relaxed on this score.

### Registered Designs

Registered design cases in New Zealand are few and far between. In *Watkins Manufacturing*<sup>18</sup> Jagose J determined a dispute relating to a design for spa baths. A perspective view is set out below:



The original design features were identified by the Judge as follows:

- distinct corner sections – integrating the corners with the top of the spa;
- high bevelled baseplate – giving a floating appearance;

- recessed lighting – corners and baseplate dispersing a wash of light;
- side panels – comprising fewer/wider horizontal slats and narrow recessed black grooves.

The spa baths manufactured by the plaintiff (“Watkins”) and defendant (“Prestige”) are set out below:



The antiquated *Designs Act 1949* (NZ) still applies in New Zealand. It is a piece of legislation way past its use-by date. The test for infringement set-out in *UPL Group*<sup>19</sup> applies:

- infringement is a question of fact;
- it is assessed by the court and the eye is that of the judge;
- the question is whether the alleged infringement has substantially the same appearance as the registered design; and
- the assessment is made by comparing the infringing article with the design representation.

Jagose J found that the design represented a material break from the prior art. His Honour formed an impression from inspection of the alleged infringement and the registered design side by side, more closely (but where both were in vision) and at a distance. The Court was influenced by the indented grooves which gave the impression of separate planks and the appearance or illusion of support from the corner legs, which were said to make the spa bath float. The Judge felt that the Prestige spa bath (the infringement) looked like a less well resolved or earlier iteration of the spa baths made by the plaintiff.

The defendant’s main witness did himself no favours by confusing the plaintiff and defendant’s spa baths. For these reasons, infringement was found to exist.

- Comparison between Australia and New Zealand  
In Australia the test for registered design infringement is that the infringement needs to be identical to or substantially similar in overall impression to the registered design. The test in New Zealand is whether it has substantially the same appearance as the registered design. To that extent the tests are close.

In Australia there has been agitation since at least 1995<sup>20</sup> that there should be a broad, unregistered anti-copying law.

I agree – it is clear from the limited number of decided cases in Australia that the *Designs Act 2003* (Cth) is becoming less and less relevant. I believe there is a need for change.

New Zealand is no different. This is the first decision in almost 30 years. The reason is that copyright protection is available for both two and three-dimensional articles, regardless of whether they are industrially applied. This gives authors and owners of copyright in New Zealand a valuable and effective right. As a result, the *Copyright Act 1984* (NZ), is alive and well and this has marginalised the designs regime to a large extent.

### Calculation of Loss

The issue of calculation of loss arose in the latest round of the long-running *Oraka Technologies*<sup>21</sup> case.<sup>22</sup> Infringement was found to exist for the period 2001 to 2009. Without going into the detail, the defendants were involved in the design and marketing of the plaintiffs’ original machine. Informal exclusive licences existed amongst the plaintiff companies. In the High Court Hinton J found that Oraka Technologies was entitled to damages of NZ\$4.1 million. However, the Court of Appeal disagreed and remitted the matter back to the High Court – directing that damages should be calculated on the basis of a notional licence fee/user principle.

Hinton J considered a number of relevant factors:<sup>23</sup>

- the matter needed to be assessed on the basis of a hypothetical negotiation;
- the construct was to identify a reasonable price to pay for use of the plaintiff’s property;
- the court needed to try and arrive at a fee that would have been agreed, not a fee that ought to be imposed;
- ultimately it is a notional construct which assumes that the parties are willing participants, regardless of their actual circumstances;
- the court needs to take into account the actual characteristics of the parties but assume that they will act reasonably – this included the fact that a licensor would be reluctant to assist a potential new competitor; and
- the alleged infringer would also need to consider other alternatives, if they were available.

The Judge stressed that the relevant date to make this assessment was the date the infringement started, not the date of the trial. Accordingly, while subsequent events were generally regarded as irrelevant, they could be taken into account if they reflected what the parties would have known or would have done at the relevant date.

In terms of calculation of damages, the parties had very different approaches. The plaintiffs argued that the first plaintiff’s cups were provided with the grading machine and that a licence fee of 50 percent of the invoice price of the

whole machine or an amount of 75 percent on the cups on their own was appropriate. They argued that the cup was a pivotal part of the machine and that that entitled them to a greater than 50 percent profit margin. They also argued that the cups were sold as separate parts and that a notional licence fee of 75 percent of the invoiced price of the cup was appropriate. They therefore claimed a notional licence fee of NZ\$5 million.

The defendants' calculations were very different. They contended that the software and overall machine were important rather than the cup. The defendants' position was that the appropriate starting point was a figure of 3–10 percent of their long-term pre-tax operating profit and that they should only pay a licence fee on the cup assembly units themselves. They therefore calculated the damages to be from zero to NZ\$33,000.

Hinton J accepted neither argument but found a place somewhere between the two. Her Honour concluded that damages according to the plaintiffs' calculation would be disproportionate, because the machine sold for NZ\$254,000 but the cup assembly was only worth \$23. The Judge regarded the most relevant factor to be that the reasonable defendant would look at other options and a licence fee on the entire machine was contrary to principle, authority and fairness. Nevertheless, she was satisfied that the cup assembly was important and saw this as a "significant factor in determining a fair fee".

The most relevant factor was the known competition for an exclusive licence from the incumbent, Graders. Graders would have therefore paid a significant licence fee to hold on to the business. That is because any licensee would be likely to capture all the business for a successful machine. Therefore, the Court felt that a hypothetical licensee would pay a significant licence fee, because the cup assembly would eliminate Graders from the market. However, matched against this, the defendants would still need to make a profit.

Ultimately, the Court fixed the licence fee at NZ\$6 per cup assembly. This was in the order of 40 percent of the defendant Geostel's anticipated profit margin. Because 85,000 cup assemblies had been sold, this amounted to damages in the amount of NZ\$510,000.

Of note, the Court found that it was irrelevant to consider the parties' actual profit or loss and that the 25 percent rule of thumb (based on long-term pre-tax operating profit from sale of cup assemblies paid to the licensor as royalty) did not apply.

- Comparison between Australia and New Zealand  
By way of comparison, the user principle has been adopted in Australia, particularly in *Winnebago*,<sup>24</sup> a decision of Yates J. However the question is whether the remedy is limited to passing off. Given the findings of the Federal Court of Australia in *Aristocrat Technologies*<sup>25</sup> it may be limited to willing participants only.

The situation in New Zealand is more flexible and arguably more pragmatic. The user principle is of wide application in any area of IP and applies irrespective of whether the parties are willing or unwilling. It is a flexible and effective tool which is well adapted to accommodate accounting factors, as well as contextual issues and flavour. It is an important set of principles which can be used in negotiations, for identifying damages for purposes of interlocutory injunctions and for damages at trial.

### Law Reform

As at June 2018, a couple of discussion papers were in the wind. The first discussion paper relates to patents and disclosure of origin. A discussion paper was due to be released in July dealing with the origin of genetic resources, traditional knowledge and the development of inventions. These issues are under discussion at the World Intellectual Property Organization & the World Trade Organization TRIPS Council.

### *Plant Variety Rights ("PVRs")*

Another area under review is plant variety rights. A discussion paper is expected soon. This will deal with problems with the *Plant Variety Rights Act 1987* (NZ) and focus on issues arising from the Waitangi Tribunal recommendations in relation to Wai 262<sup>26</sup> and CPTPP<sup>27</sup> – to bring the *Plant Variety Rights Act 1987* (NZ) into line with the *International Convention for the Protection of New Varieties of Plants*.<sup>28</sup>

### *Copyright Act 1984 (NZ)*

In terms of copyright review, an issues paper was expected very soon to deal with, inter-alia:

- moral /performers' rights;
- transactions – assignment/licensing; Copyright Tribunal;
- enforcement – infringing file sharing, ISP safe harbours;
- copyright/designs overlap; and
- accession to Hague Agreement – industrial designs.

In terms of parody and satire, a Private Member's Bill has also been introduced.<sup>29</sup> This proposes a fair dealing defence which involves criticism or review and to cover use of the work for "parody or satire". It is unclear whether this Bill is likely to progress much further. The diagnosis so far is not too positive.

### *IP Omnibus Bill*

A discussion paper was due out in July.

### *Patent Regulations*

The Patent Regulations were amended and came into effect on 5 April 2018. The changes include:

- definition of address for service includes Australia;

- deposit requirements for micro-organisms - not possible to file receipt in prescribed time; and
- extensions of time limits for filing counter-statement.

### ***Patents (Advancement Patents) Amendment Bill 2018 (NZ)***

Another interesting development is the *Patents (Advancement Patents) Amendment Bill 2018 (NZ)*. This proposes a new form of protection for inventions which are distinctly different, seen through the skilled worker in the field and having common general knowledge. The improvement needs to be useful. If it is, a 10-year monopoly is granted, and certification is required first, either by the applicant, a third party, or the Commissioner.

This is similar to the Australian innovation patent. It is interesting that the innovation patent is under serious scrutiny in Australia through the Productivity Commission Report on Australia's Intellectual Property Arrangements which found it was detrimental to innovative SMEs.<sup>30</sup>

By way of comparison, the Australian innovation patent requires an innovation step, whereas the proposed New Zealand right requires a distinct and useful improvement. The Australian term is eight years, whereas the proposed New Zealand term is 10 years. In Australia there is no examination, but it is proposed that there be an examination in New Zealand.

Ultimately, the question is whether the innovation patent will survive in Australia. The jury is obviously out on that.<sup>31</sup> The question in New Zealand is whether the Advancement Patent Bill will progress. It might be a good case for harmonisation but the indications are not particularly promising. It is a Private Member's Bill and my understanding is that there is very limited support for the proposal.<sup>32</sup> This means that the Innovation Patent may not survive in Australia or come to fruition in New Zealand – possibly a case of harmonisation by default.

- 1 *CNH Industrial Belgium NV* [2018] NZIPOPAT 7.
- 2 *Resmed Ltd v Fisher & Paykel Healthcare Ltd* [2016] NZIPOPAT 21.
- 3 *Vital Foods* [2015] NZIPOPAT 17.
- 4 *Bayer v Merial* [2018] NZIPOPAT 6.
- 5 *Biocon Ltd and Mylan GMBH* [2018] NZIPOPAT 2.
- 6 *CSR Building Products Limited v United States Gypsum Company* [2015] APO 72.
- 7 *Target Australia Pty Ltd v Target New Zealand Limited* [2018] NZIPOPAT 16.
- 8 *Kono NZ Ltd v Te Pa Family Vineyards Limited* [2017] NZIPOPAT 29.
- 9 *Manbaas Industries (2000) Ltd v Fresha Export Limited* [2012] NZHC 2256
- 10 *Dick Smith Investments Pty Ltd v Ramsey* (2016) 120 IPR 270.
- 11 *E & J Gallo Winery v Lion Nathan Australia Pty Limited* [2010] HCA 15.
- 12 *Cadbury Ireland Ltd v Societe des Produits Nestle S.A.*, T4/2007, 29 January 2007, AC Walden.
- 13 *VinoMofo Holdings v Blackmarket.com.au Pty Ltd* [2018] ATMO 14.
- 14 *National Mini Storage Ltd v National Storage Ltd & Ors* [2017] NZHC 1775 and *National Mini Storage Ltd v National Storage Ltd & Ors* [2018] NZCA 45.
- 15 *Insight Radiology Pty Ltd v Insight Clinical Imaging Pty Ltd* [2016] FCA 1406.
- 16 *Metro Business Centre Pty Ltd v Centrefold Entertainment* [2017] FCA 1249.
- 17 *Metro Business Centre Pty Ltd v Centrefold Entertainment* [2017] FCA 1249 at [119].
- 18 *Watkins Manufacturing Corporation v Prestige Pools Ltd* [2018] NZHC 709.
- 19 *UPL Group Ltd v Dux Engineers Ltd* [1989] 3 NZLR 135 (CA).
- 20 For example, in the 1995 ALRC 74 report.
- 21 *Oraka Technologies Ltd v Geostel Vision Ltd* [2018] NZHC 769.
- 22 The case relates to a commercially successful asparagus grading machine with a unique cup assembly.
- 23 *Oraka Technologies Ltd v Geostel Vision Ltd* [2018] NZHC 769 at [33].
- 24 *Winnebago Industries Inc v Knott Investments Pty Ltd (No 4)* [2015] FCA 1327.
- 25 *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* [2007] 157 FCR 564.
- 26 Ko Aotearoa Tēnei: Report on the Wai 262, Waitangi Tribunal, 2 July 2011, recommending reforms to laws and policies affecting Māori culture and identity.
- 27 The *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* of 8 March 2018 (not yet in force) also known as "TPP11".
- 28 *International Union for the Protection of New Varieties of Plants* ("UPOV") UPOV was established by the *International Convention for the Protection of New Varieties of Plants* of 2 December 1961, as revised at Geneva on 10 November 1972, on 23 October 1978, and on 19 March 1991.
- 29 *Copyright (Parody and Satire) Amendment Bill 2018 (NZ)*.
- 30 Australian Government, Productivity Commission, *Australia's Intellectual Property Arrangements: Report No. 78*, September 2016, Recommendation 8.1.
- 31 Editor's Note: As reported elsewhere in this issue, the Australian Government accepted the recommendation to abolish the innovation patent system in Australia. At the time of writing, IP Australia is consulting on an exposure draft Bill to implement this reform.
- 32 The Bill was defeated after a first reading on 8 August 2018. While National and ACT were in favour, Labour and its coalition partners opposed the Bill. That is likely to be the end of the road for this initiative.

# The Territoriality of Copyright in the Digital Single Market: A Closer Look at the Proposed Broadcaster Regulation

Ted Shapiro<sup>1</sup>

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This report looks at the current status of the European Union's ("EU") so-called "Proposed Broadcaster Regulation" (sometimes also referred to as the "Proposed Territoriality" or "SatCab" Regulation).<sup>2</sup> This instrument is one of the main components of the copyright legislative package of the EU's Digital Single Market ("DSM") strategy.<sup>3</sup> This strategy includes an effort to break down "national silos" in copyright legislation and "modernis[e] copyright rules in the light of the digital revolution and changed consumer behaviour".<sup>4</sup>

The Proposed Regulation, like most EU legislative instruments, needs to be seen through the prism of the ongoing effort to create an internal market where inter alia goods and services move freely throughout the EU, both offline and online, and for our purposes here more specifically the DSM. Such legislation seeks to break down barriers between the Member States of the EU and promote cross-border trade. This goal often conflicts with the territorial nature of copyright and has been of considerable concern to rightholders, including in particular the audiovisual sector, as well as at the same time the EU legislator, consumer groups and other stakeholders (those of course for differing reasons). While certain aspects of the debate over copyright in the EU will be reminiscent of arguments heard around the world, others are more specific to the context of the EU's market integration project.

The copyright package, which came in two waves, includes five instruments in all. The main component of the first wave dealt with portability of online content services, which in a sense is the flip-side of the Proposed Broadcaster Regulation.<sup>5</sup> The second wave, which was released by the European Commission on 14 September 2016,<sup>6</sup> includes the Proposed Broadcaster Regulation and the *Proposed Directive on Copyright in the DSM* as well as two instruments on implementation of the 2013 *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* which were adopted in 2017.<sup>8</sup>

Briefly, the Portability Regulation, which is the first-ever EU copyright regulation, is based on a so-called legal fiction and a series of limitations on contractual freedom.<sup>9</sup> The goal is to enable subscribers to online content services, such as Netflix, to access their subscriptions while temporarily present in another country within the EU. The Regulation imposes on online content services an obligation to enable subscribers who are temporarily present in another Member State than that of their residence to access the service. The relevant copyright acts are considered to occur in subscriber's country of residence. The substance and scope of Articles 2 and 3 of the *Copyright Directive* which establish the communication

to the public, making available and reproduction rights are thereby materially affected.<sup>10</sup> The Regulation only became applicable in all Member States on 1 April 2018. Yet, already on 1 June 2018, the Director General of DG CONNECT (the relevant service of the European Commission) sent a letter to the national authorities responsible for supervising the application and enforcement of the Portability Regulation identifying a number of issues for potential action.<sup>11</sup>

In contrast to the Regulation on portability which is about consumers accessing services to which they have already subscribed when they travel across EU borders, the Proposed Broadcaster Regulation seeks to promote consumer access to services in countries other than where they reside by means of a more direct attack on copyright territoriality through the use of the country of origin principle. The European Commission's Proposed Regulation would lay down rules on the exercise of copyright in respect of certain online transmissions of broadcasting organisations and retransmissions. It is aimed at eroding the territoriality of copyright in respect of broadcasters' so-called "ancillary online services" (catch-up, simulcast and promo materials). Stand-alone online services are not affected. While more far-reaching legislative approaches were discarded (at least for now), the impact of this second proposed regulation in the field of copyright, which goes much further than the Portability Regulation, was opposed by the EU audiovisual sector. It argued that the Proposed Regulation would undermine its system of financing and distributing film and TV programming which is based on territorial exclusivity. On the other hand, consumer groups have taken the view that EU consumers should be able to sign up for content services in whatever Member State they wish. The Proposed Regulation must also be considered in the context of the ongoing EU competition law pay-TV case which could also impact on the exercise of exclusive rights and the ability of rightholders to grant territorial exclusivity.<sup>12</sup>

The Proposed Regulation is based on the *Council Directive 93/83/EEC* whose two pillars comprise (i) the country of origin principle for communication to the public by satellite; and, (ii) mandatory collective exercise of the cable

# The Territoriality of Copyright in the Digital Single Market: A Closer Look at the Proposed Broadcaster Regulation

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retransmission right.<sup>13</sup> First, the Commission's Proposed Regulation would extend the country of origin principle to certain online transmissions thereby giving broadcasters which are based in one Member State the potential ability to make the relevant content available online across the whole of the EU on the basis of having cleared the rights for one Member State without having to obtain the rights to exploit such content in other Member States. Second, the Proposed Regulation would extend the system of mandatory collective exercise of cable retransmission rights which is coupled with a so-called broadcaster veto to other forms of retransmission internet protocol television ("IPTV"), satellite and mobile.<sup>14</sup> However, the Commission's Proposal stopped short of the open internet.

The Proposed Regulation does not contain a definition of "broadcasting organization". This purposeful omission has created considerable legal uncertainty. In some cases, pay-TV platforms could be considered the "broadcasting organisation" for the purpose of the application of the country of origin principle in Article 2 of the Proposed Regulation. It seems that broadcasters do not really broadcast that much anymore – they are more akin to content aggregators creating and acquiring content for their channels which they license for carriage on platforms. In this regard, it is notable that the Commission's Proposal was silent on issue of direct injection which is how the vast majority of broadcasters deliver their content to platforms who in turn distribute to consumers. The European Court of Justice has found that broadcasters which supply signals to commercial TV platform operators by way of direct injection only, do not carry out an act of communication to the public.<sup>15</sup> Direct injection occurs when the signal transmitted by the broadcaster is not capable of being received (under ordinary circumstances) by members of the public and instead is intended for reception only by third party commercial platform operators which relay or retransmit the signal to their customers as part of a package of channels.<sup>16</sup>

The European audiovisual industry (with the notable exception of the public service broadcasters) has lobbied fiercely to limit the negative impact of this proposed legislation on territoriality. As a result, the European Parliament and Council of the EU (Member States) approaches are much narrower than the Commission's original proposal. The audiovisual sector argued that the Regulation, in tandem with the ongoing EU competition law case involving the six major Hollywood studios and the Sky pay-TV platform, would do serious damage to the principle of territorial exclusivity thereby undermining its ecosystem for financing, producing and distributing content.

Following the release of the Commission's proposal in September 2016, the text was transmitted to the EU's co-legislators: the Council and the European Parliament. Each institution then began consideration of the proposal with a view to creating its own version which must be reconciled

with the position of the other through an inter-institutional negotiation known as "trilogue". The failure to reach agreement in trilogue means a longer process involving two readings by the European Parliament – all EU copyright legislation since the 2001 *Copyright Directive* has been adopted in a single reading following a successful trilogue.

As far as the Council is concerned, on 15 December 2017, the Member States agreed their "General Approach," which formed its opening position for the trilogue with the European Parliament and the Commission.<sup>17</sup> A coalition of Member States led by France had successfully blocked negotiations on the Proposed Regulation, in particular the country of origin principle, for over a year. However, the General Approach was finally agreed in the face of substantial pressure by the Commission, the Estonian Presidency of the EU (at the time) and certain Member States, which wanted to move forward. While the General Approach is wider than the European Parliament Legal Affairs Committee's Report (see below), it is narrower than the original Commission Proposal.

The General Approach includes the following:

- With regards to "television programmes", the country of origin ("CoO") principle would apply to: "any copyright and related rights that are required for the inclusion in the ancillary online service of a broadcasting organisation of programmes which are related to (a) news and current affairs or (b) fully financed and controlled by broadcasting organisation". Sport is excluded. How this actually works in practice does not appear to be an important consideration for the legislator.
- The definition of an ancillary online service is slightly broader than the one proposed by the European Commission and the European Parliament as it would also extend to "ancillary online services that can be accessed by users separately from the broadcasting service and without the precondition for the user to obtain access to the broadcast service".
- The regime establishing mandatory collective exercise of retransmission rights would be extended and include retransmission services delivered over the open internet.
- The issue of direct injection is not addressed.
- The date of application of the Regulation is extended to 24 months, a considerably longer transition period than the one proposed by the Commission (which was six months).

The approach of the European Parliament has been more favourable to the audiovisual sector. On 21 November 2017, the Legal Affairs Committee of the European Parliament voted for its position on the Proposed Broadcasters Regulation (the "Report"); and, in favour of entering the

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trilogue on the basis of that position. The Legal Affairs Committee's Report reins in the Commission's proposal.<sup>18</sup> The Report includes the following highlights:

- The country of origin principle would only apply to “news and current affairs programmes”.
- The regime establishing mandatory collective exercise of retransmission rights would be limited to “cable and IPTV like services” in “managed environments”, thus arguably excluding services delivered over the open internet (though alternative interpretations are equally viable – thus the difference with the Council position is not clear-cut).
- Direct injection is defined and regulated by making broadcasters and distributors “jointly liable” for the “the single and indivisible acts of communication to the public and making available to the public ... which they carry out together”, thus requiring both broadcasters and platforms to obtain authorisation from the relevant rightholders for their respective participation.

On 12 December 2017, the Report was unsuccessfully challenged in plenary of the Parliament. The Parliament's participation in the trilogue is thus based on the position adopted in that Report.

As the EU co-legislators, the Council and the European Parliament, have each reached a general agreement on their respective internal positions, they were able to begin their inter-institutional negotiations early in 2018. The trilogue is ongoing with a further session expected in September 2018. The four key outstanding points are:

- Scope of the country of origin rights clearance mechanism.
- Mandatory collective rights management for retransmissions
- Direct injection.
- Application and transition.

Assuming the institutions can reach agreement, perhaps before the end of the year, the final text must then be formally approved by the Parliament and the Council respectively. The Regulation will then be published in the Official Journal and is directly applicable after an agreed transition period (nine, 12 and 24 months are debated). Even on a very optimistic scenario, the Regulation is unlikely to apply until some time in 2020.

- 1 Ted Shapiro is a Partner and the Head of the Brussels office at Wiggan LLP.
- 2 *Proposal for a Regulation of the European Parliament and of the Council laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes* (14.9.2016 - COM(2016) 594 final - 2016/0284(COD)).
- 3 ‘A Digital Single Market is one in which the free movement of goods, persons, services and capital is ensured and where individuals and businesses can seamlessly access and exercise online activities under conditions of fair competition, and a high level of consumer and personal data protection, irrespective of their nationality or place of residence. Achieving a Digital Single Market will ensure that Europe maintains its position as a world leader in the digital economy, helping European companies to grow globally’, Communication from the Commission, *A Digital Single Market Strategy for Europe*, COM(2015) 192 final, 6.5.2015.
- 4 ‘Political Guidelines for the next European Commission – A New Start for Europe: [President Juncker's] Agenda for Jobs, Growth, Fairness and Democratic Change’ (15 July 2014), Priority n°2: *A Connected Digital Single Market*.
- 5 *Regulation (EU) 2017/1128 of the European Parliament and of the Council of 14 June 2017 on cross-border portability of online content services in the internal market*, OJ 2017 L 168/1 (30 June).
- 6 <[http://europa.eu/rapid/press-release\\_IP-16-3010\\_en.htm](http://europa.eu/rapid/press-release_IP-16-3010_en.htm)> (accessed on 2 August 2018).
- 7 *Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market* (14.9.2016 - COM(2016) 593 final - 2016/0280(COD)). The legislative debate over this instrument is ongoing to say the least.
- 8 Directive (EU) 2017/1564 of the European Parliament and the Council of 13 September 2017 on certain permitted uses of certain works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled and amending Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society, OJ 2017 L 242/6 (20 September); *Regulation (EU) 2017/1563 of the European Parliament and the European Council of 13 September 2017 on the cross-border exchange between the Union and third countries of accessible format copies of certain works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled*, OJ 2017 L 242/1 (20 September).
- 9 The usual legislative device is a ‘directive’ which requires national implementing legislation. Regulations in contrast have direct effect and do not need to be transposed into national law.
- 10 *Directive 2001/29/EC of the European Parliament and of the Council on the harmonization of certain aspects of copyright and related rights in the information society*, OJ 2001 L167/10 (22 June).
- 11 See <<https://ec.europa.eu/digital-single-market/en/news/portability-regulation-letter-sent-competent-national-authorities>> (accessed on 1 August 2018).
- 12 Case AT.40023 – Cross-border access to pay-TV.
- 13 See, Article 1(2)(b) of *Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission*, OJ 1993 L 248/15 (6 October). The country of origin principle is actually a ‘conflicts of law’ rule but it is also sometimes referred to as a legal fiction. See Maria Martin-Prat, ‘The Future of Copyright in Europe’ (2014) 38 *Columbia Journal of Law & the Arts*, 29 at 40.
- 14 See Article 10 of *Directive 93/83/EEC* which excludes broadcasting organisations from the requirement of mandatory collective exercise in respect of its own transmission and acquired rights.
- 15 *SBS Belgium NV v SABAM*, Case-C-325/14, ECLI:EU:C:2015:764.
- 16 While DI is ubiquitous it is not new. According to the Explanatory Memorandum accompanying the *Commission's Proposed SatCab Directive* (COM (91) 276 final - SYN 358 (11 September 1991) at para. 10 (accessible at <<http://aci.pitt.edu/9874/1/9874.pdf>>)), “there is no cable retransmission in the sense of this proposal, if the programme is merely delivered by point-to-point communication to the cable head end without being the subject of a simultaneous primary broadcast.” This indicates that direct injection was taken into account at the time the Commission made its original proposal and that the intention was that it be excluded. Times have changed.
- 17 See <[https://eur-lex.europa.eu/legal-content/EN/TEXT/PDF/?uri=CONSIL:ST\\_15898\\_2017\\_INIT&rid=5](https://eur-lex.europa.eu/legal-content/EN/TEXT/PDF/?uri=CONSIL:ST_15898_2017_INIT&rid=5)> (accessed on 4 August 2018).
- 18 Report on the proposal for a regulation of the European Parliament and of the Council laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes (COM(2016)0594 – C8-0384/2016 – 2016/0284(COD)), 27.11.2017.

# The Patent Cooperation Treaty at 40

Matthew Bryan PCT Legal and User Relations Division and  
Catherine Jewell Communications Division, WIPO<sup>1</sup>

Today inventors around the world have access to a system, known as the *Patent Cooperation Treaty* (“PCT”), which offers a cost-effective way to seek patent protection for their high-value technologies in multiple countries. That system, which has just celebrated its 40th year of operation, has become an essential component of the international patent system.

Today, the PCT includes 152 member countries. In the words of WIPO Director General Francis Gurry, the PCT is a “truly a global system and a global treaty” that is at “the centre of worldwide patenting activity”.

The world’s largest companies (see figure below), leading universities and research institutions and individual inventors use the PCT as a strategic option to seek patent protection in multiple countries, since a single international patent application filed under the PCT has legal effect in all the countries bound by the Treaty.

## Advantages of the PCT

The PCT offers users a number of advantages. In particular, applicants can postpone decisions about the countries in which they want to seek patent protection, and the significant associated costs, by up to 18 months longer than under the traditional patent system. They can also benefit from valuable feedback about the potential patentability of their inventions; at present, 22 patent offices that serve as International Searching Authorities partner with WIPO to provide users with such feedback. This additional time and feedback creates opportunities for applicants to continue the technical development of their invention, test the market for it and, if necessary, find business partners and secure financing.

The PCT also offers national and regional patent offices a number of advantages, in particular, by providing them with the same value-added information on the potential patentability of an invention as provided to applicants, and by freeing those offices from having to evaluate the formal aspects of the application. In this way, the PCT process facilitates decision-making and can increase confidence in the quality of the patents if ultimately granted.

## What users are saying about the PCT

“WIPO’s Patent Cooperation Treaty is a cornerstone of our IP business,” notes Alexander Kurz, Executive Vice President for Human Resources, Legal Affairs and Intellectual Property



(photo: WIPO/Bernad 2018).

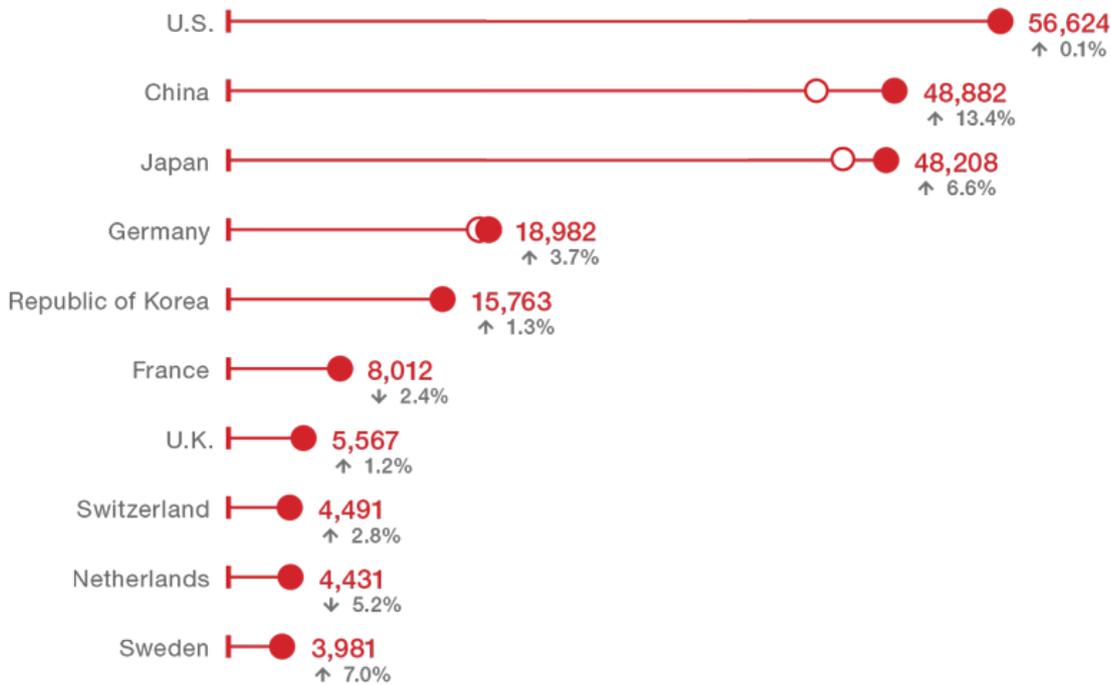
Management, Fraunhofer, Europe’s largest applied research organisation. “It provides a great deal of legal security and gives us additional time to find the optimal commercial partner and the most appropriate market for our inventions. It is an excellent way to establish IP rights internationally. That’s why we use it,” he says.

Brazil’s pioneering aviation giant, Embraer, uses the PCT for similar reasons. “The PCT is an extremely useful tool that is supporting our drive to expand our global footprint,” explains Wander Menchik, Head of Embraer’s Technology Development Program. “It is particularly useful because it provides a preliminary opinion on the possibility of obtaining a patent grant on a given technology in different countries, and buys the company additional time to take strategic business decisions in relation to a particular technology for which protection is being sought. So it is a cost-effective option that takes the legwork out of the process of obtaining patents in international markets and provides us with feedback that is invaluable in shaping the patenting strategies for our new technologies.”

Smaller outfits, like US-based Nokero, a small social enterprise that produces eco-friendly solar-powered lights for resource-poor householders in developing countries, also find value in the PCT. “Patents are a big part of our business strategy when it comes to patenting. Because we operate in so many different markets, we use WIPO’s Patent Cooperation Treaty,” says Steve Katsaros, Nokero’s founder. “Every startup has limited funds and the PCT is a great mechanism for delaying patent filing costs, allowing time to test the market and overcome any unforeseen technical problems. Without the PCT, protecting an invention in international markets would be a high-risk strategy with huge upfront costs,” he notes.

**PCT top 10 countries**

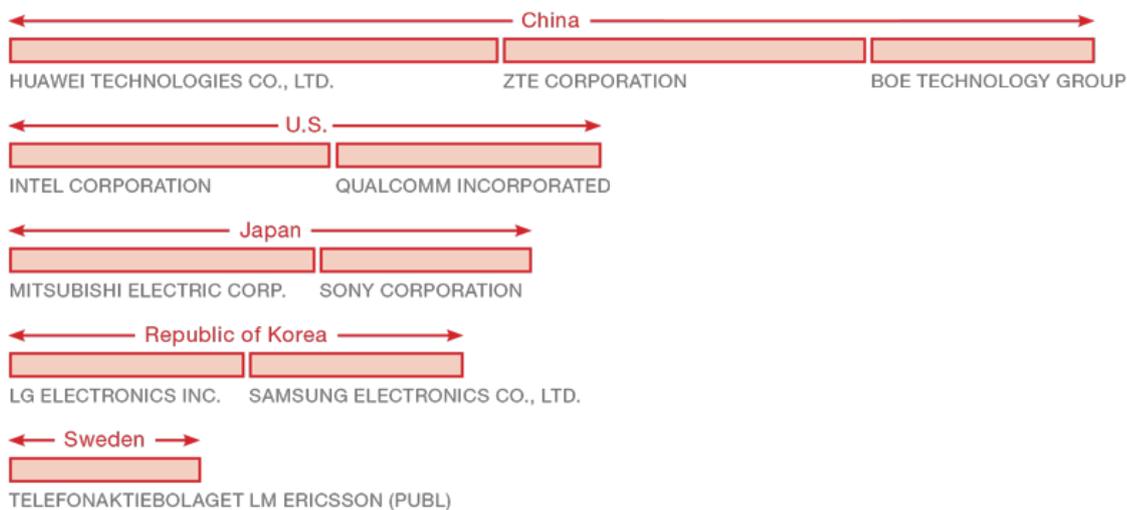
○ 2016 ● 2017



Around 243,000 international applications were filed via the PCT in 2017, up 4.5 percent on 2016, representing the eighth consecutive year of growth. Applicants based in the United States filed the most applications, followed by those in China and Japan.

Source: WIPO Statistics Database, March, 2018

**PCT top 10 applicants**



Two Chinese technology companies were the top filers of international patent applications in 2017, with Huawei in first place and ZTE in second.

### ***About the Patent Cooperation Treaty (PCT)***

The PCT offers users of the patent system a cost-effective means of protecting their inventions internationally. The PCT facilitates the process of seeking potential patent protection in multiple countries and postpones some of the major costs of such internationalisation. The granting of patent rights, however, remains under the control of the national or regional patent offices concerned.

By filing a single “international” patent application within 12-months of filing the first patent application with a national or regional patent office, an applicant can set in motion the process of seeking patent protection in up to 152 countries.

The PCT also helps national and regional patent offices with their patent granting decisions; and facilitates public access to a wealth of technical information relating to inventions through the PATENTSCOPE database.

### **Sustained growth**

Since it began operating in 1978, the PCT has enjoyed remarkable growth. In the first six months of its existence, just 459 international patent applications were filed under the system. Twenty-six years later, one million applications had been filed, and nearly 13 years after that, in February 2017, the three millionth PCT application was published. Every week, on average about 5,000 international patent applications are published in WIPO’s PATENTSCOPE database. PATENTSCOPE includes some 70 million patent documents, as well as the 3.4 million international patent applications that have gone through the PCT system to date. PATENTSCOPE offers users invaluable information with respect to who is patenting and where, and in which fields of technology.

Over the last 40 years, with just one exception, in 2009, at the height of the global economic crisis, the PCT has enjoyed steady annual growth in the number of international patent applications filed. In 2017, a record 243,500 international patent applications were filed under the PCT, representing a 4.5 percent increase on figures for 2016.

Since its inception, applicants based in the United States have filed the largest numbers of PCT applications every year, filing nearly 57,000 international patent applications in 2017 alone. But, since the early 2000s, there has been a marked increase in the use of the PCT in Asian countries and, in particular, phenomenal growth in its use by applicants from China. Since 2003, China has posted PCT annual growth rates of more than 10 per cent. And in 2017, China became the second largest user of the system, nudging Japan into third place. At current growth rates, it looks set to become the PCT’s top user by 2020.

“The rapid rise in Chinese use of the international patent system shows that innovators there are increasingly

looking outward, seeking to spread their original ideas into new markets as the Chinese economy continues its rapid transformation,” noted WIPO Director General Francis Gurry when releasing 2017 data on WIPO’s filing and registration services in March 2018. “This is part of a larger shift in the geography of innovation, with half of all international patent applications now originating in East Asia,” he explained.

### **A beacon of multilateral cooperation**

The PCT is an excellent example of multilateral work sharing and cooperation in the field of intellectual property (“IP”). It involves the active collaboration of more than 100 national and regional patent offices which, together with WIPO, move the applications through the PCT procedure in line with the Treaty’s requirements.

The PCT system also relies heavily on the engagement of both applicants and their legal representatives. The positive impact of the system on the process of seeking international patent protection is widely recognized within the IP legal community. For example, T David Reed, former Senior Patent Advisor at Procter and Gamble Company, a major PCT user, once summed up the PCT as “the greatest advance in foreign patent practice and patent portfolio management since the *Paris Convention* came into force in 1883”.

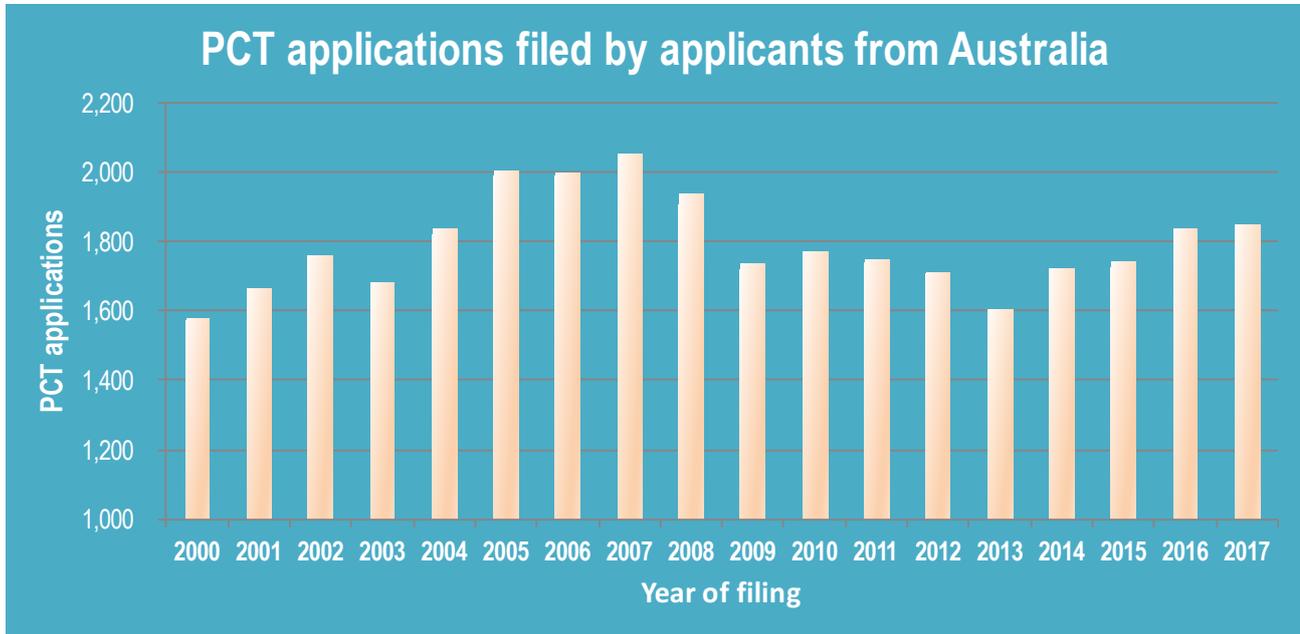
### **An effective response to a real need**

At its core, the PCT addresses two very real needs and this is the key to its remarkable success. On the one hand, it offers applicants a practical tool to assist them in seeking patent protection in international markets. And on the other hand, for the patent offices of PCT member countries, it serves as an effective work-sharing platform and creates opportunities to generate efficiency gains in processing international patent applications.

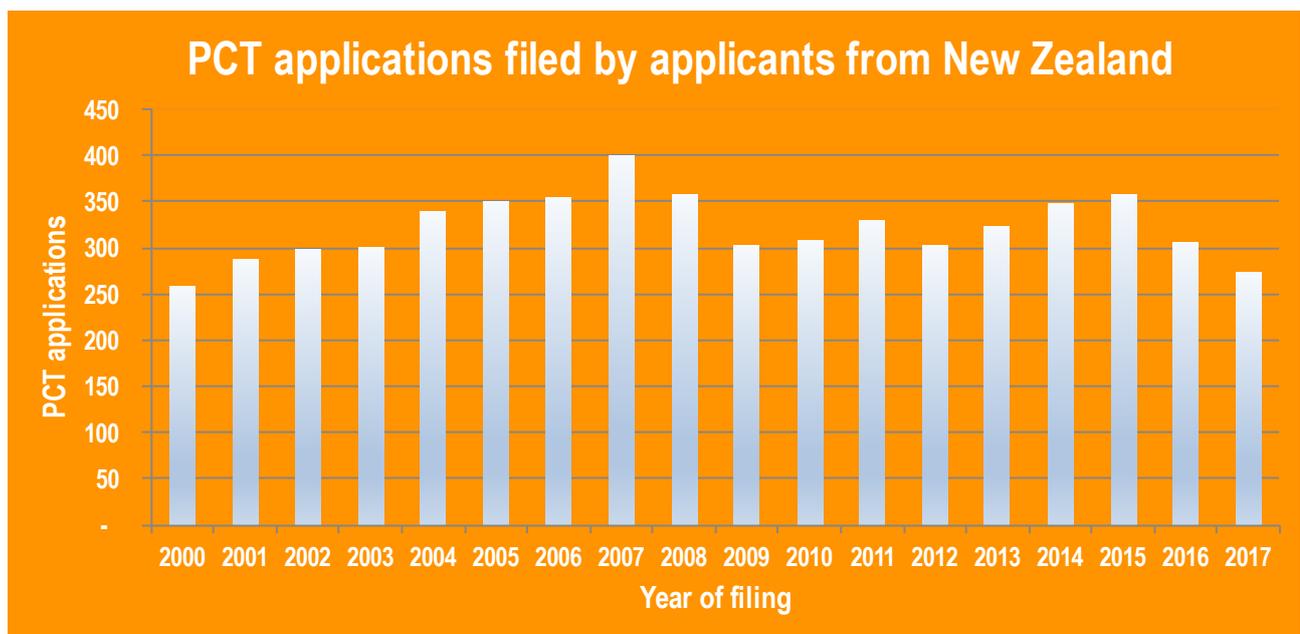
The partnership of national and regional patent offices of PCT member countries has also been central to the PCT’s success. Their engagement, insights and experiences, along with feedback from users, has enabled the system to evolve and respond to practical real-world needs. That, coupled with a dedicated international team of support staff, both at WIPO’s headquarters and within the patent offices of member countries, has made it possible for the PCT to become recognised as a reliable and high-quality service provider.

### **A tool for economic development**

From the outset, as noted in the Treaty’s Preamble, the desire “to foster and accelerate the economic development of developing countries,” has been integral to the PCT’s vision and evolution. Today, developing and least developed countries make up the bulk of the PCT’s membership. Each of these countries benefits from technical support from WIPO both in terms of enabling them to navigate and use

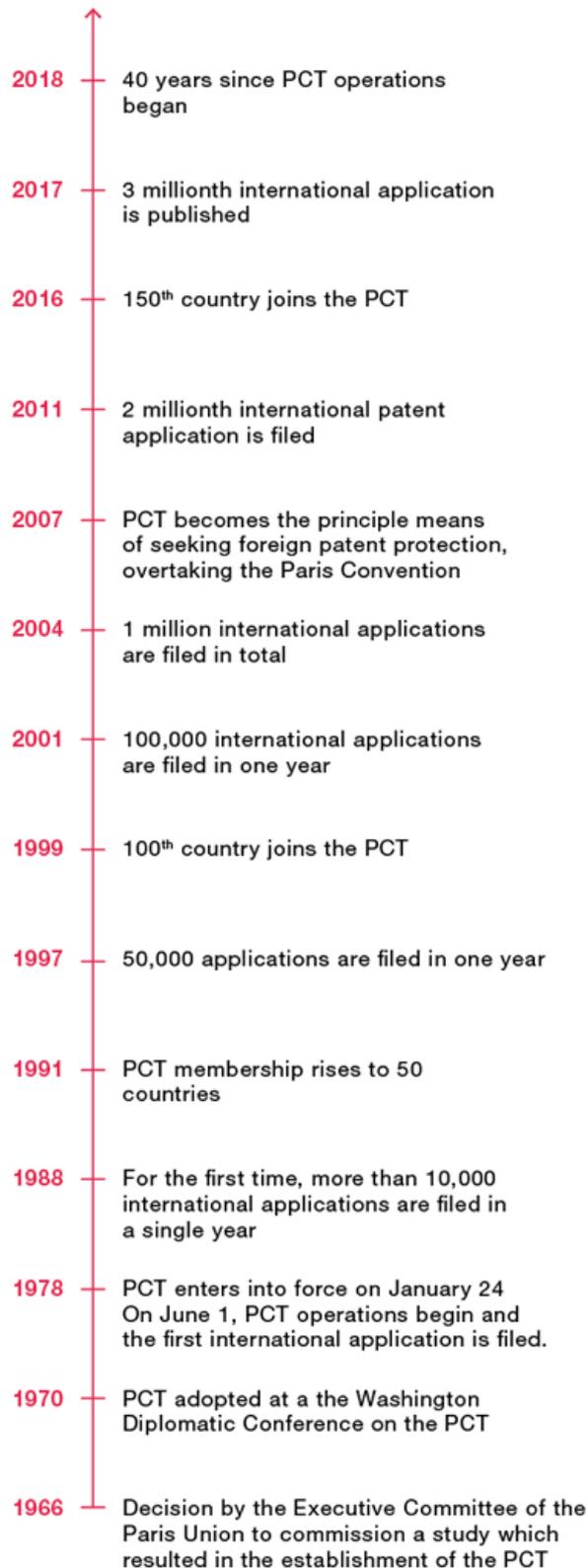


Data supplied by WIPO



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## The Patent Cooperation Treaty: Milestones



the PCT and more generally to support the development of national IP systems. Also, certain patent applicants from these countries can benefit from a 90 percent reduction for one of the main PCT-related filing fees. These countries can also benefit from the technical information that flows through the PCT system, especially, with respect to international applications that do not ultimately seek patent rights in those jurisdictions, and thereby become part of the public domain in those countries.

### The way ahead

The PCT has come a long way in the past four decades and has recorded many notable achievements. But there is still much to achieve to ensure it continues to support “innovation, investment and development,” as foreseen by its founders. That is why, together with its partners, the PCT is continuing to push ahead to improve its services, for the benefit of all stakeholders.

At the time of the publication of the three millionth international patent application under the PCT, WIPO Director General Francis Gurry published a document entitled *The PCT System – an Overview of Possible Future Directions and Priorities*. The overview provides policymakers with “food for thought” on the broad directions and priorities for future work to further improve the PCT for the benefit of users and IP offices alike. “The key to future improvements [in the PCT] lies in putting renewed emphasis on the ‘Cooperation’ aim which underpins the Treaty,” Dr Gurry wrote.

*In the view of the International Bureau, it is now mainly up to the Contracting States and the national and regional offices which perform roles under the Treaty to put further life into that ‘Cooperation’ aim with a view towards making the PCT system fully effective as a tool to support innovation, investment and development that those same Contracting States designed it to be.*

In light of the PCT’s remarkable success over the past 40 years, and with the ongoing constructive collaboration of all stakeholders, we can look to the future with some optimism, confident in the fact that the PCT will remain “fit for purpose” for many decades to come.

<sup>1</sup> This report is an edited version of an article published in the June 2018 issue of *WIPO Magazine*. It is reproduced here by kind permission of WIPO.

# Book Review

Fiona Phillips

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## Cross-Border Copyright Licensing: Law and Practice by Carlo Scollo Lavizzari and René Viljoen (eds)

[Edward Elgar, 2018, pp.400].

**T**rade agreements and an increasing demand for content around the world has put a spotlight on international copyright licensing in recent times. This makes *Cross-Border Copyright Licensing: Law and Practice* a very timely addition to the copyright practitioner's bookshelf.

Intended as a practical handbook, the book does not take an encyclopaedic approach. Instead, it sets out the relevant legal framework in the United States of America, the European Union, China, India, Singapore, Mexico, Russia and South Africa. This grouping of countries reflects the editors' idea to write a book about, and for, countries where there is limited legal literature.

The editors state in the preface:

*Contract and competition law are key legal building blocks for any type of licensing of intellectual property, and copyright-protected content is no exception.*

In keeping with this approach, each chapter in the book is divided into two: copyright licensing and competition law.

Chapter 1 is written by Thomas Pattloch and deals with China. The chapter begins by setting out the relevant legal framework. Pattloch notes that there are many additional laws and administrative regulations which affect copyright law and licensing in China and he helpfully sets these out for the reader. He then goes on to discuss copyright law, which he notes, draws heavily on continental Europe. He then goes on to examine the legal nature of licences, market access and other important issues such as enforcement. The chapter also includes a discussion of case law, before it goes on to look at competition law. Pattloch includes useful contextual remarks in this chapter, for example, advising readers to keep an eye on decisions coming out of China in order to assess the prospects of copyright licensing in the future. This not only makes for an interesting read, it gives the reader a sense of the situation "on the ground".

Next, chapter 2 covers the European Union ("EU"). It begins with a useful introduction explaining how the EU differs from countries covered in the book. Brigitte Lindner has written Part A, which covers copyright licensing, both in terms of individual licensing and collective licensing. Lindner describes EU copyright law as a "colourful patchwork" and expresses scepticism about harmonisation

of licensing agreements in the EU. She concludes that cross-border licensing schemes touching upon the EU will need to be approached with an "open mind" and a "healthy degree of pragmatism".

Part B is written by Jan Bernd Nordemann and covers competition law in relation to individual licensing. Nordemann notes at the beginning of Part B that competition regulation has a huge impact on cross-border licensing in Europe. He goes on to explain the key concepts and then sets out the types of clauses which may give rise to competition issues. He concludes by looking at issues around abuse of dominant position.

Chapter 3 is written by Binny Kalra, Tanvi Misra and Suzanne Rab and provides a comprehensive overview of relevant areas of Indian law. It begins with an overview of Indian contract law before setting out the basics of Indian copyright law. Having covered the basics, the authors go on to look at individual licensing (as opposed to collective licensing). It then moves on to look at competition issues such as tying and excessive pricing. It concludes with a discussion of licence terms, remedies, collective licensing, bespoke licences, choice of law and tax.

Chapter 4 covers Mexico and is written by Kiyoshi Tsuru, Deyanirr Solorio Nocetti and Patricio González Granados. In this short chapter, the authors explain Mexico's civil law tradition. They then cover the basics of copyright and contract law in Mexico and also deal briefly with choice of law and taxation issues. The end of the chapter looks at "antitrust" issues. Relevantly for Australian and New Zealand readers, the authors flag changes that will be made to the Mexican copyright law as a result of its obligations under the *Comprehensive and Progressive Trans Pacific Partnership Agreement* ("CPTPP").

Chapter 5 is the longest chapter in the book and is devoted to Russia. Written by Roman Lukyanov and Ksenia Sysoeva, the chapter details Russian contract and licensing law,

copyright ownership, individual and collective licensing, bespoke licences, choice of law and tax issues. The detailed explanation of Russia's Civil Code provides a helpful resource given the limited amount of English language material on Russia's copyright law.

Chapter 6 deals with Singapore and is written by Lam Chung Nian and Andrew Riseley. It provides a comprehensive overview of contract, copyright and competition law in Singapore and also covers relevant issues such as choice of law and tax. Like Australia and New Zealand, Singapore inherited its law from the United Kingdom. This chapter therefore makes for familiar reading for readers from our region.

Chapter 7 covers South Africa which has a Roman Dutch legal tradition with an "English influence" according to the authors, Herman Blignaut and Alexis Apostolidis. It follows the same structure as other chapters and provides a useful insight into South African law in this area.

Finally, chapter 8 covers the United States of America. William S Strong, Eric Hochstadt and Kaleigh Golish begin with a discussion of some of the features peculiar to copyright in the US which impact on licensing. For example, the rules around ownership of copyright and the copyright registration system. The chapter then follows a similar structure to the other chapters in the book, which makes for ready comparison. It ends with a useful case study on licensing in the music industry.

Practical and easy to read, *Cross-Border Copyright Licensing: Law and Practice* is sure to become an indispensable resource for those engaged in international copyright licensing. We understand that the editors had wanted to include chapters on Brazil and Turkey in this edition. Perhaps a future edition could also include chapters on the other members of the CPTPP and the Regional Comprehensive Partnership Agreement (currently being negotiated), namely: Australia, Brunei, Canada, Chile, Japan, Malaysia, New Zealand, Peru South Korea and Vietnam?

# INTA Conference 2018 in Sunny Seattle

Alison McGinn\*

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All of the rumours about Seattle being a rainy city were again unsupported during the International Trademark Association (“INTA”) 140<sup>th</sup> Annual Meeting in May 2018 held at the Washington State Convention Center. There were only a few splashes of rain on the Saturday evening and sunny and blue skies for the rest of the Conference.

Seattle is an exciting and vibrant city to host the Conference, having close connections with companies well known for fostering innovation and being the home of ground-breaking companies like Amazon, Costco, Starbucks and Alaska Air Group. It was also refreshing that significantly fewer Uber and taxi fares were required for attendees to get around than in Barcelona and Orlando.

The opening ceremony started with men throwing a fish around the aisles of the Convention Centre and there was much talk of throwing fish throughout the Conference as attendees visited the Pike Place Market, which has a long-standing tradition of fishmongers throwing the fish around as a means of moving them from place to place.

The INTA Annual Meeting has grown in attendance in each of several previous years and 2018 was no exception, hosting almost 11,000 attendees from 150 countries, not to mention the many unregistered attendees who fly in and out for a day or two of networking and meetings. INTA is a conference that certainly has something for everyone, whether you are there to network, learn, educate or meet with existing counsel or clients. There were 15 networking receptions run by INTA itself in addition to the multitude of receptions run by individual firms – too many to get to them all.

Throughout the Conference, INTA sought to further its mission as being a “global association of brand owners and professionals dedicated to supporting trademarks and related intellectual property (IP) to foster consumer trust, economic growth, and innovation.” A main theme of the opening ceremony and the Conference itself was “the power of connection and intelligence”.

The opening address given by 2018 INTA president, Tish Berard, inspired trade mark practitioners to change their own perceptions of themselves from “trade mark practitioners” to “brand professionals”. She said this would benefit clients first and foremost while also significantly impacting on rights issues that are relevant to the global business community as a whole.

Ms Berard also called upon brand professionals to take a positive and optimistic perspective to change and innovation and to become drivers of change.

Neil Lindsay, vice-president of global marketing, prime & engagement at Amazon.com was the keynote speaker of the Conference and had some really interesting insights to share on how Amazon has created such an exciting brand through “access to magical moments”. He shared Amazon’s approach to the establishment of consumer trust and transformative experiences. He spoke about optimism for the future and the core brand values of Amazon which inspired us all in our quest to assist our clients in protecting their all-important assets.

The official charities supported by INTA at the Conference were Dress for Success and Pike Place Market Foundation. Attendees were encouraged to bring professional clothing to donate to Seattle women in need through Dress for Success and were also encouraged to donate to the Pike Place Market Foundation which assists those in the community surrounding the Pike Place Market with housing, food, health and childcare, and other community support.

As usual, there were many educational sessions, table topics and networking receptions for attendees to enjoy. A real benefit of the INTA Conferences is the sharing of information with colleagues from around the world regarding the challenges and successes experienced since we last met. Although we might come from very different countries with different challenges, it is more often than not very easy to find that we all have a lot in common.

Hot topics for discussion among attendees particularly relevant to Australia and New Zealand were:

- (a) The current trend of publicly listing law firms in Australia and New Zealand and mergers of law firms. Many overseas lawyers asked with great interest about this trend and were particularly interested in the conflict procedures in such situations.
- (b) Sydney, Australia will host the INTA Asia Pacific Meeting in October 2018.

Some other hot topics for discussion generally and the subjects of some educational sessions were:

- (a) The EU's new *General Data Protection Regulation* ("GDPR") and its effect on businesses was a popular topic of conversation, particularly in connection with the detail of the information that will be available in a Whois search for domain names. This has been a concern for brand owners who often need access to Whois information to contact those with control over websites that display infringing content. There were many questions raised regarding what the regulation changes would mean in practice, both for clients and for counsel.
- (b) It was interesting to get an update from our UK and European colleagues regarding Brexit and the speculation regarding IP rights since the decision was made to exit the EU.
- (c) Updates and personal experiences on dealing with trade marks in China including aspects of examination and the sheer number of applications being filed.
- (d) There was also discussion of the proposed new e-commerce law in China that would have a major impact on rights holders who need to protect their brands and fight counterfeits on e-commerce platforms. It is hoped that the new law would assist brand owners to tackle counterfeits being sold online in China.
- (e) The implementation of plain packaging was the topic of a panel discussion by a number of Judges from countries such as India, Germany, Canada, the Netherlands, China, Ireland and Panama. This discussion has been ongoing for a number of years as it is of significant concern to brand owners. Talk of extending plain packaging laws past tobacco and into confectionery, other unhealthy foods and beverages and alcohol would, in the opinion of many, be very damaging for brand owners in those sectors. There are of course other considerations at play such as public health, consumer confusion and increased opportunities for counterfeits. Watch this space.
- (f) Vox Populi, the domain registrar responsible for the .sucks generic top level domain name was at it again during the Conference, again allowing attendees to create their own .sucks t-shirts in the exhibition hall. This sparked some intense discussions regarding various .sucks domain names, including on Twitter. Although brand owners wouldn't want a .sucks domain name featuring their brand to end up in the wrong hands, there seemed to be a highlighting of more political statements such as gunviolence.sucks, showing that the gTLD can be used for good as well as for evil.

The final function of the Conference was a welcome wind-down after a busy week. It was held at the precinct which included the Space Needle, the Chihuly Garden and Glass which showcases the stunning work of glass artist Dale Chihuly, and the Museum of Pop Culture, with a Sound Lab where attendees tried out their singing and musical skills (in many cases thankfully in sound-proofed rooms). This was a great chance to mingle with new contacts made during the Conference and re-connect with old friends – and to travel up the Space Needle to get a bird's eye view of Seattle.

Seattle was, in the opinion of many, a fabulous location for the Conference. Not too hot, not too rainy and just the right amount of fish-throwing to keep 11,000 brand professionals occupied.

All are looking forward to more networking and educational opportunities in Boston in 2019.

\* Partner, Banki Haddock Fiora

# Current Developments - Australia

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## IP AUSTRALIA

**Dr Dimitrios Eliades**

Barrister

**Ms Amanda Caldwell**

Senior Associate, Spruson & Ferguson

### General

#### **Public Consultation on Exposure Draft *Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018 (Cth)***

##### ***Background***

In November 2017 the Australian Government released its response to the Productivity Commission's 2016 report on *Australia's Intellectual Property ("IP") Arrangements* ("PC report").<sup>1</sup> Many of the recommendations accepted by the Government require amendments to the existing patents, trade marks and plant breeders' rights legislation. IP Australia is responsible for this legislation. Following further consultation, IP Australia proposed to implement the necessary changes through a two-stage process.

Pursuant to this proposal, IP Australia released the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018* ("PC Part 1 Bill") in the second half of 2017 for public comment. Public consultation took place between 23 October 2017 and 4 December 2017.

Schedule 1 of the Bill and associated regulations included amendments to:

- Clarify the circumstances in which the parallel importation of trade marked goods did not infringe a registered trade mark.<sup>2</sup>
- Expand the scope of essentially derived variety declarations in the *Plant Breeder's Rights Act 1994 (Cth)* (PBR).<sup>3</sup>
- Reduce the grace period for filing non-use applications under the *Trade Marks Act 1995 (Cth)*.<sup>4</sup>
- Repeal section 76A of the *Patents Act 1990 (Cth)*, which required patentees to provide certain data relating to pharmaceutical patents with an extended term.<sup>5</sup>

Schedule 2 of the PC Part 1 Bill included amendments to allow PBR exclusive licensees to take infringement actions and for the award of additional damages under the PBR legislation. Other measures intended to streamline some IP Australia processes for IP rights the department administrators were also in Schedule 2.

As reported in Issue No. 112 of *Intellectual Property Forum*, the PC Part 1 Bill was introduced to the House of Representatives on 28 March 2018 and is currently before the Parliament for consideration.

IP Australia has now released the second and last of the two-stage draft legislation for public comment arising from the Government's response to the PC report: The *Intellectual Property Laws Amendment Bill (Productivity Commission Response Part 2 and Other Measures) Bill 2018 (Cth)* ("PC Part 2 Bill").

It will be recalled the PC recommendations included: raising the inventive step for patent eligibility; adding an objects clause to the *Patents Act 1990 (Cth)*, improving the patent filing processes; restructuring patent fees and abolishing the innovation patent system.<sup>6</sup>

The Exposure Draft of the PC Part 2 Bill, a draft Explanatory Memorandum ("EM to the PC Part 2 Bill") and consultation questions are available from the IP Australia website following the path "About us" and "Public consultations". Schedule 1 to the PC Part 2 Bill sets out the measures which include:

- Amending the test for inventive step requirements for Australian patents.
- Introducing an objects clause into the *Patents Act 1990 (Cth)*.
- Phasing out of the innovation patent system.

Schedules 2–4 of the PC Part 2 Bill includes amendments to the:

- "Crown Use" provisions contained in Chapter 17 of the *Patents Act 1990 (Cth)* and Chapter 8 of the *Designs Act 2003 (Cth)*.
- The compulsory licensing provisions in the *Patents Act 1990 (Cth)*.

Schedules 5–7 of the PC Part 2 Bill contain measures which are designed to streamline processes within the *Patents Act 1990 (Cth)* and the *Trade Marks Act 1995 (Cth)*.

Consultation has taken place in relation to the matters considered in Schedules 1–4 of the PC Part 2 Bill through submissions and consultations responsive to option papers. IP Australia's responses to public consultation may be summarised as follows:

In relation to:

##### ***Inventive step***

To amend the inventive step requirements for patents. IP Australia noted that 14 of the 15 non-confidential

submissions received by IP Australia opposed changes to the inventive step test in Australia. The concerns expressed included:

- *Insufficient time had elapsed since the reform to inventive step introduced by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth), for the effects of those amendments to be properly evaluated. It will be recalled those amendments reformed the definitions of “prior art” and “common general knowledge”.*
- *That a further test would add extra cost and complexity to users.*
- *The current test did not seem “significantly inconsistent” with the test in Europe and questioned the rationale for change.*

IP Australia also noted that the Government had accepted the PC report’s recommendation to amend the requirements for inventive step. IP Australia proposes to adopt the majority of those submissions which did indicate a preference, albeit they opposed any change, such amendment being to implement the PC recommendation with clarification of the prior art base and interpretation.

Specifically, this recommendation was that the Australian Government should amend ss.7(2) and 7(3) of the *Patents Act 1990 (Cth)* so that “an invention is taken to involve an inventive step if, having regard to the prior art base, it is not obvious to a person skilled in the relevant art”.<sup>7</sup>

The meaning of the prior art base is contained in Schedule 1 Part 1 Item 2 of the PC Part 2 Bill as Item 4 inserting section 7B. The fundamental question to consider is whether a claimed invention is obvious to the skilled person in view of the prior art. In Australia, the High Court endorsed the “Cripps question” identifying the general approach in italics as follows:

*Would the notional research group at the relevant date, in all the circumstances, which include a knowledge of all the relevant prior art and of the facts of the nature and success of chlorpromazine, directly be led as a matter of course to try the -CF<sub>3</sub> substitution in the ‘2’ position in place of the -Cl atom in chlorpromazine or in any other body which, apart from the -CF<sub>3</sub> substitution, has the other characteristics of the formula of claim 1, in the expectation that it might well produce a useful alternative to or better drug than chlorpromazine or a body useful for any other purpose?*<sup>8</sup>

The extracted question of general application is: “Would the person skilled in the art directly be led as a matter of course to try the claimed invention in the expectation that it might well produce a solution to the problem?”<sup>9</sup> In relation to inventive step, the new definition of “prior art base” is proposed to include:

- information in a document that is publicly available, whether in or out of the patent area; and*
- information made publicly available through doing an act, whether in or out of the patent area; and*
- a combination of any 2 or more pieces of information mentioned in paragraph (a) or (b) that a person skilled in the relevant art could, before the priority date of the relevant claim, be reasonably expected to have combined; and*
- information that is common general knowledge (whether in or out of the patent area), whether that information is considered separately or together with the information mentioned in paragraph (a), (b) or (c).*

It should be noted that Schedule 1, Part 1 (Inventive Step) of the PC Part 2 Bill will commence 12 months after the day the Bill receives the Royal Assent so that stakeholders may consider how best to proceed with their applications, particularly in relation to the increased threshold for inventive step.

The draft EM to the PC Part 2 Bill states:<sup>10</sup>

*The new higher standard will apply to existing applications or patents that have been granted, but where examination has not been requested at commencement (see ... Schedule 1 item 7 for further explanation). An extended commencement will give applicants time to decide whether to request examination or to amend their application before the changes take effect.*

The following consultation question was relevantly raised for which submissions were required by 31 August 2018:

*Question 1: For item 2, the amendment to subparagraph 7(2) (definition of inventive step) uses the terminology ‘in comparison with’ the prior art base instead of the previously proposed ‘having regard to’ the prior art base. This change was made for consistency with the rest of the Patents Act 1990 (Cth) but differs from the wording used in the European Patent Convention. Are there any unforeseen consequences of using this wording?*<sup>11</sup>

### **Technical features**

It had been proposed that the introduction of a separate technical features requirement be introduced. Almost all of the submissions did not support this introduction stating generally that it was an unnecessary burden on applicants and unnecessary in view of the test for manner of manufacture.

IP Australia agreed and proposed to introduce the option adopted by those submissions expressing a preference. IP Australia considered that the model it would adopt did not require legislative change, but rather guidance would be provided in the EM and the Patent Manual of Practice and Procedure on how technical features should be considered for

the purposes of assessing inventive step under the European approach to be implemented.<sup>12</sup>

### **Objects clause**

The PC report recommended the inclusion in the *Patents Act 1990 (Cth)* of an objects clause stating:

*The Australian Government should incorporate an objects clause into the Patents Act 1990 (Cth). The objects clause should describe the purpose of the legislation as enhancing the wellbeing of Australians by promoting technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners and users of technology.*<sup>13</sup>

Of the 14 submissions received on this point, eight opposed the introduction of an objects clause whilst six were in favour of the introduction of the clause. Concerns expressed by a number of submissions opposing the introduction included:

- That the term “wellbeing of Australians” might indicate a preferential treatment for Australians thereby conflicting with international obligations.
- That the term “wellbeing of Australians” might introduce a valued judgment as to the social value of the invention.<sup>14</sup>

IP Australia noted that the Government had accepted the PC’s recommendation to introduce an objects clause.<sup>15</sup> However, taking the concerns expressed by stakeholders into account, IP Australia proposes to implement a version which it considers addresses concerns regarding the use of the term “wellbeing of society”.

*The purpose of this Act is to provide a patent system in Australia that enhances the wellbeing of society by promoting economic wellbeing through technological innovation and the transfer and dissemination of technology. In so doing, the patent system should balance over time the interests of producers, owners, users of technology, and the public.*<sup>16</sup>

IP Australia says that the objects clause is intended to provide guidance in the interpretation of the *Patents Act 1990 (Cth)* and may be used to assist the court where there is uncertainty or ambiguity in the meaning of a provision. Further it says that it is not in and of itself, intended to provide grounds for challenging the subject matter of a patent, nor to override existing Australian jurisprudence on patentable subject matter and the manner of manufacture test.

The following consultation question is relevantly raised for which submissions were required by 31 August 2018:

*Question 2: For item 8, does the term ‘technological innovation’ restrict or narrow the concept of ‘innovation’ to suit certain industries only? Which industries? What subject*

*matter that is currently patentable would not be considered ‘technological’? Note that the TRIPS Agreement refers to ‘technological innovation’ (Article 7) and states that patents shall be available ‘in all fields of technology’ (Article 27).*

### **Innovation patents**

Schedule 1, Part 3 (Innovation patents) in the PC Part 2 Bill will commence 12 months after the day the PC Part 2 Bill receives the Royal Assent. An extended commencement for Part 1 will give stakeholders time to consider how best to proceed with their applications. IP Australia considers that an extended commencement for Innovation patents is necessary to ensure the existing rights of patent applicants are maintained.

Presently there is a 12-month timeframe for filing an innovation patent application that claims priority from a provisional or basic application. It is therefore intended that the commencement timeframe of 12 months will ensure that applicants who have filed a provisional or basic application before the Royal Assent date will continue to have the full 12 months to file an innovation patent.

IP Australia considers that applicants whose provisional or basic application is filed some time between Royal Assent and the commencement of Schedule 1, Part 3 will have whatever period remains until that commencement to file an innovation patent, but will still have 12 months to file a standard patent.<sup>17</sup>

### **Crown Use**

Schedule 2 of the PC Part 2 Bill contains the proposed amendments to the Chapter 17 Crown use provisions. The proposed amendments importantly:

- Introduce definitions of the terms “exploited for Crown purposes” and “services”, the former including the “services of a relevant authority” whilst the latter ties the responsibility for the services or the funding of the services to the Crown.
- Introduce the requirement for ministerial consent, which requires notification to the patentee or nominated person, written approval for the exploitation from the minister and satisfaction by the minister that the relevant authority has “tried for a reasonable time, but without success” to obtain authorisation from the patentee or nominated person.

It should be noted that where the circumstances proposed in Schedule 2 Item 7 setting out the new s.163 are followed there is no infringement. It could therefore be argued that if the relevant authority or the minister fail to comply with the circumstances in s.163 (save for emergencies set out in the proposed s.164), then it is capable of infringement attracting damages or an account of profits.

At least one submission raised the potential deficiency in the proper remuneration of a patentee or nominated person. Historically, it had been considered that as the exploitation by the Crown was not an infringement, damages based on lost profit were not an appropriate remedy but rather a licence fee should be paid as the appropriate method of remuneration. This ignored the fact that the patentee may well be exploiting the invention at the time of its “resumption” and a licence fee approach produced far less remuneration than an assessment based on lost profit.

The approach reflected in the proposed amendments to s.165(2) appears to take the “deficiency” into account. The proposed provision states:

*(1) The terms for the exploitation of an invention in the circumstances mentioned in subsection 163(2) or 163A(2), including terms concerning the remuneration payable to the nominated person or the patentee, are such terms:*

- (a) (a) as are agreed, or determined by a method agreed, between the relevant authority and the nominated person or the patentee; or*
- (b) (b) in the absence of agreement — as are determined by a prescribed court on the application of the relevant authority, or the nominated person or the patentee.*

*(2) Without limiting paragraph (1)(b), the prescribed court must determine an amount of remuneration that is just and reasonable, having regard to the economic value of the exploitation of the invention and any other matter the court considers relevant.*

It is also proposed in s.166, that an agreement or licence setting out terms for someone other than the relevant authority may exploit the invention is inoperative unless ministerial approval in writing has been given.

### **Compulsory licensing**

Schedule 4 of the PC Part 2 Bill amends the *Patents Act* 1990 (Cth) by inserting a “public interest” test when the Federal Court considers an application for a compulsory licence.

Presently, any person may apply to a prescribed court for an order that a patentee grant a licence to another party to exploit an invention.<sup>18</sup> This mechanism is designed to prevent the patentee from completing their side of the “bargain”. On that rationale of patents, the State grants a monopoly for a term in exchange for disclosure of the invention and public benefit. Where the patentee restricts others from exploiting the invention in the local market or where it has failed to do so itself, the court may order the granting of a compulsory licence.

The present problems identified are:

- *Under subparagraph 133(3B)(b)(i) a third party applicant who has only satisfied the grounds for a*

*compulsory licence over a dependent patent would also be able to automatically obtain a compulsory licence over the original patent, to the extent necessary to work the invention.*<sup>19</sup>

- *Under subparagraph 133(3B)(b)(ii) the owner of the dependent patent may be required to compensate the owner of the original patent by granting a cross-licence, even where the applicant for the compulsory licence is a third party.*<sup>20</sup>

The amendments are directed to rectify these problems by providing that only the patentee of a dependent patent can seek a compulsory licence over the use of the original patent. The questions upon which IP Australia sought submissions from stakeholders before 31 August 2018 were:

*Question 3: For item 5, amendments to paragraph 133(5)(b), are the factors listed relevant to the dependent patent licence?*<sup>21</sup>

*Question 4: For item 7 – this amendment would allow a cross licence to be revoked under subsection 133(6). Is this appropriate?*<sup>22</sup>

*Question 5: For item 11, the application provisions, are there any unforeseen consequences which we have not considered?*<sup>23</sup>

### **Specifications**

Schedule 6 contains a correction regarding the specifications. The *Raising the Bar Act* abolished omnibus claims. These types of patent claims make reference to the features of the invention as they are disclosed in the description, drawings or examples.

Section 40(3A) of the *Patents Act* 1990 (Cth) now provides that claims must not rely on references to descriptions or drawings unless absolutely necessary to define the invention. Due to a drafting oversight the *Raising the Bar Act* only allowed this requirement to be considered and reported on during examination of standard and innovation patent applications. It did not make provision for other stages in the process such as:

- amendment after acceptance of an application or after grant of a patent;
- re-examination;
- opposition or revocation proceedings.

The proposed amendments in Schedule 6 of the PC Part 2 Bill rectify the oversight.

### **Other matters**

It should be noted that Schedule 5 relates to the introduction of electronic seals in relation to patents and trade marks. In addition, Schedule 7 proposes specific amendments which will allow the Commissioner of Patents to partially redact

sensitive information from a patent document and publish a redacted version.<sup>24</sup>

### ***Update of Intellectual Property Government Open Data***

The Intellectual Property Government Open Data (“IPGOD”) includes more than 100 years of highly detailed intellectual property (“IP”) rights data, and it now has a number of improvements to make it even more useful.

Machine learning algorithms have been implemented to produce this year’s tables. This allows matching of IP rights to IP right holders with increased accuracy.

IPGOD was released in two stages this year. The first stage included all of the tables previously seen in IPGOD while the second stage provided more information on our IP applicants and agents.

### **Patents**

#### ***Amended New Zealand Patents, Trade Mark and Design Regulations enter into force: Published: 5 April 2018***

##### *Addresses for service changes*

Address for service requirements for patents, trade marks and designs now permit postal addresses, post office boxes or document exchange boxes in either New Zealand or Australia.

##### *Micro-organism deposit requirements for patent applications*

In cases where an invention is a micro-organism, the timeframe for providing a deposit receipt for the purposes of s.43(1)(b) of the Patents Act 2013 is now within 12 months of the date of issue of the first examination report.

##### *Changes to divisional patent applications*

The requirements for the acceptance of a patent application with complete specification now include the following:

- Divisional applications must not include a claim or claims for substantially the same matter that has been accepted in their parent applications.
- Parent applications must not include a claim or claims for substantially the same matter that has been accepted in their divisional applications.

##### *Counterstatements in patent revocation proceedings*

The Commissioner may now choose to provide an extension of time for filing a counterstatement for a patent revocation proceeding. This request for an extension of time must be filed within two months after the original deadline date, and is subject to the Commissioner’s review and approval.

#### ***Migration of Patent Records - Published: 3 May 2018***

IP Australia is migrating their older electronic patent records in their backend systems as part of an ongoing program of work to modernise and transform service delivery.

Some of the present online systems (including AusPat and eServices) will be unavailable for an extended period over the migration, from 3pm Friday 11 May to 8pm Sunday 13 May 2018 (AEST).

After the migration, searching AusPat will remain the same, however there will be a few differences to what might be seen. The primary change is to provisional numbers. Following the migration, alphabetical characters in provisional numbers will be replaced with a single 9 and padded to create a 10 digit number. For example, 2002PS3391 will be reflected as 2002903391.

The current Official Journal for Patents will be replaced by the current Supplement. Information about the changes will be published in the Journal following the migration.

#### ***Changes to Patent Manual of Practice & Procedure - 1 August 2018***

- Updated links to the PCT Guideline.
- Updated to provide further guidance on omnibus claims.
- Reviewed and updated sections relating to the patent request, notice of entitlement and abstract. In particular:
  - Information on amending a patent request has been consolidated in 2.23.13 Amendment of a Patent Request and of Other Filed Documents and 2.23.13.1 Amendment of Patent Request.
  - Information on amending an abstract has been consolidated in 2.8.3A Amendment of Abstract.
- **Note:** Whilst the location of information within sections may have changed, there is no new content.

### **Designs**

No recent developments.

### **Trade Marks**

#### ***Updates to Examiner’s Manual***

- *Part 1: Introduction, Quality* – Product Quality Standards – effective date updated.
- *Part 5: Data Capture and Indexing* – reviewed; no changes.
- *Part 8: Amalgamation (Linking) of Trade Marks* – entire part reviewed, effective date updated.
- *Part 10: Details of Formality Requirements* – formality requirements (name) updated.
- *Part 11: Convention Applications* – Convention Claims – reference to IP Lodgement points removed.
- *Part 12: Divisional applications* – reviewed and updated.
- *Part 14: Classification of Goods and Services*

- Annex A3 – registered words which are not acceptable in specifications of goods and services – additional words added.
- Annex A3 – NUTRACEUTICALS removed.
- *Part 22: Section 41 Capable of Distinguishing*
  - reviewed and updated.
  - 15.2 – names of foreign towns, localities and other geographic references – additional guidance added for foreign geographical locations.
  - 22.15 – geographical names updated.
  - 22.12 – wording in W&G case corrected.
- *Part 24: Disclaimers* – entire part reviewed, effective date updated.
- *Part 26: Section 44 and Regulation 4.15A*
  - Cross Class Search List – link to Part 14 Annex updated.
  - Annex A1 – Citing multiple names – Annex renamed, new guidelines added for citing two given names.
- *Part 28: Honest Concurrent Use, Prior Use or Other Circumstances*
  - Guidance on honest concurrent use and other circumstances reviewed and updated.
  - 28.4. Other circumstances – paragraph 44(3)(b) – updated, including to clarify how and when the registrar should confirm continuous use.
- *Part 29: Trade marks likely to deceive or cause confusion* – Specific instances likely to trigger Section 43 – typo corrected.
- *Part 30: Signs that are scandalous and contrary to law*
  - reviewed and updated.
  - 3.1 and Annex A1 – *Australian Grape and Wine Authority Act 2013 (Cth)* (“AGWA Act”) updated to *Wine Australia Act 2013 (Cth)*.
  - 3.5.3 – changes made in line with amendments to the *Banking Act 1959 (Cth)*.
  - Annex 4 AFC Asian Cup and Cricket World Cup 2015 sections removed.
  - List of Defence Force prohibited terms and emblems updated.
- *Part 31: Prescribed and Prohibited Signs* – Practice for examining trade marks containing signs specified in reg. 4.15 – links to external websites updated.
- *Part 32A: Examination of Trade Marks For Plants (in Class 31)* – reviewed and updated
- *Part 32B: Examination of Trade Marks for Wines (in Class 33)*
  - Relevant Legislation – legislation updated.
  - 1. Introduction – legislation updated.
  - 2.1. Section 42: Contrary to Law – legislation updated.
  - 3. Protected Terms in Specifications of Goods – legislation updated.
- *Part 34: Defensive trade mark*
  - effective dates updated.
  - 5.1 – *Australian Grape and Wine Authority Act 2013 (Cth)* (“AGWA Act”) updated to *Wine Australia Act 2013(Cth)*.
- *Part 35: Certification Trade Marks - Australian Grape and Wine Authority Act 2013 (Cth)* (“AGWA Act”) updated to *Wine Australia Act 2013(Cth)*.
- *Part 39: Registration of a Trade Mark* – reviewed and updated.
- *Part 45: Copies of Documents* – reviewed – Part 45.3, Part 45.4 and Part 45.5 deleted.
- *Part 60 - The Madrid Protocol*
  - 1. Introduction – updated.
  - 2. International Applications:
    - 2.1 General Description – updated.
    - 2.2 International Application Form – updated.
    - 2.3 Data Entry – updated.
    - 2.4 Certifying Process – updated.
    - 2.5 Fees for International Applications – updated.
    - 2.6 Renewal – updated.
  - 3. The Basic Application or Basic Registration (“Basic Trade Mark”) – updated.
  - 4. International Registrations that have Designated Australia – reviewed, no changes, effective dates updated.
    - 4.7.5 *Australian Grape and Wine Authority Act 2013 (Cth)* (“AGWA Act”) updated to *Wine Australia Act 2013 (Cth)*.
- *Part 62: Revocation of Registration* – reviewed and updated.

## CASES

**Peter Heerey AM QC, Tom Cordiner QC & Alan Nash Barristers<sup>25</sup>**

In this edition we present a copacetic collection of synthetic digging prosthetics, pharmacokinetics and bovine genetics. In other words, we report on various patent cases that will appeal to more technically-minded readers, with a focus on whether an invention lives up to its “promise” (a question of utility) and whether the method of performing it has been adequately described (raising questions of best method and sufficiency).

By way of light relief for the non-technically minded, we look at the barriers raised to the use of names in the online betting market. Odds on you will like this one.

***ESCO Corporation v Ronneby Road Pty Ltd***  
**[2018 FCAFC 46**  
**[28 March 2018]**

*Patents – novelty – whether language in claim described the function of integers for a locking mechanism or also specified position – utility – “promise” of the invention – “composite” promises – specification refers to multiple advantages conveyed by the invention – whether promises to be interpreted cumulatively or disjunctively*

Rock is famously hard. Equipment used to dig up rock needs to be even harder. Unfortunately, the process of digging leads to parts of the equipment (like excavating buckets and “cutterheads”) wearing out over time through abrasion, friction and environmental conditions. Rather than replace such parts, “wear members” are affixed to the digging edges of such machinery and, as the name suggests, these wear out instead and can be replaced.

The appellant (“ESCO”) is the applicant for a patent for a “wear assembly” to secure wear members to excavating equipment. The invention relates to a device for securing wear members to excavating equipment. In essence, the invention is a movable lock that can be placed in either a “hold position” (to keep a wear member attached to a base – the digging edge of the equipment) or a “release position” for when the wear member needs to be removed. In the specification of ESCO’s patent application (“Application”), the author explains that design efforts for wear assemblies are directed towards enhancing their “strength, stability, durability, penetration, safety and/or ease of replacement” (the “six design features”). According to paragraph 6 the specification, the invention described in the Application “pertains to an improved wear assembly for securing wear members to excavating equipment for enhanced stability, strength, durability, penetration, safety and ease of replacement”.

The respondent (“Ronneby”) was one of three unsuccessful opponents to the Application. Ronneby appealed that decision to the Federal Court, and was successful on its grounds of opposition based on want of novelty and utility. The learned trial judge found that the majority of the claims in the Application lacked novelty, and none that of them was a claim for a useful invention. ESCO appealed that decision to the Full Court (Greenwood, Rares and Moshinsky JJ), and was successful.

On the question of novelty, the primary judge found that claim 1 in the Application, and eight other claims said to be “directly or indirectly” dependent on claim 1, had been anticipated by an existing product called the Torq Lok.

The Torq Lok is a locking pin (screw) that is inserted into a polymer retainer fitted into a cavity in the wear member. The primary judge considered that the “hold position” and “release position” referred to in claim 1 were functional descriptions rather than references to pre-determined or fixed positions. While accepting that claim 1 describes a lock that operates in a “broadly binary way”, the primary judge concluded that the Torq Lok also has “hold” and “release” positions within the meaning contemplated by claim 1, and thereby anticipated the claim.

ESCO contended that this construction erroneously concentrated only on part of the language of claim 1, to the exclusion of other parts of the claim and specification that indicated that the “hold” and “release” positions were determined by reference to the lock and its relationship with the point of attachment (the “through-hole”). In contrast, a screw (like that in the Torq Lok) does not have pre-determined positions; it is simply screwed in or retracted along a continuum, the thread. The Full Court agreed, noting that the claim identifies a lock that can be moved between two (binary) positions; the functions to which the primary judge referred were enabled by this feature. The primary judge erred in failing to take into account that language of the claim (and similar indications in the specification).

On the question of utility, at first instance Ronneby argued that the advantages of the invention “promised” by the authors of the Application were enhancements to the six design features, and that these advantages were expressed “cumulatively” such that all six design features had to be delivered by every claim in the Application. ESCO contended that the “promises” of the invention were to be found by having regard to the specification as a whole, and the relevant advantages were dealt with respectively in separate claims; enhancements to all six design features did not need to appear in every claim. In other words, ESCO argued that it is sufficient that a claim produce one of the results described in the specification. The primary judge accepted that the promise in the Application was at least “textually composite”. After considering various authorities dealing with patents in which some, but not all, promised advantages of an invention fails to be achieved by the relevant claims, the primary judge concluded that the weight of authority favoured Ronneby’s position.

On appeal, the Full Court discussed at length the history of the requirement for patentability in section 18(1) of the *Patents Act* 1990 (Cth), that “an invention, so far as claimed in any claim ... is useful”, and authorities that have considered the fate of claims that only partially fulfil the “promise” of the invention or produces other, non-useful results. The Full Court accepted (at [233]) that the starting point “is to recognise ... that utility ‘depends upon’ whether, by following the teaching of the [Application], the result claimed is produced”. That process requires the court to (at [279]) “follow the teaching of the complete specification to

isolate the promise of the invention and determine whether the result claimed is produced”. The Full Court also accepted (at [239]) that where a specification “contains a ‘composite’ promise for the described invention, a failure to attain any one of the elements of the composite promise in any claim defining the invention renders the invention so far as claimed in any claim, inutile”.

The Full Court noted that the present case was not one in which the applicant seeks a monopoly over both useful and non-useful results, or has included claims that would not produce a desired result if followed. Accordingly, the starting point was to consider whether a “composite” promise had been made, and to consider the claims and the body of the specification to identify what aspects of the described invention were made the subject of the claims. On that basis, the Full Court agreed with ESCO that the reference to the six design features in paragraph 6 of the specification was not a “promise” *per se*, but rather identifies topics to which the invention related. Even if paragraph 6 contained a promise, consideration of the language in the specification and claims (notwithstanding the use of the conjunction, “and”) indicated that the reference was to be read disjunctively, as a collection of promises.

The teaching of the specification contemplated two “clusters of claims” that defined the invention. In such a case, it was necessary to consider the claims in the context of the specification to (at [303]) “identify what degree of symmetry exists between the subject matter of the claims and the paragraphs of the Specification which contain the promise relevant to those claims”. The court should not favour a construction to the complete specification that brings about “discontinuity” or “asymmetry”. On that basis, claim 1 of the Application could be seen to be directed to some of the aspects of enhancement referred to in the relevant paragraphs of the specification, and this was sufficient to fulfil the requirement of utility. The remaining claims similarly were useful, being directed to at least one of the six design features. Accordingly, the Full Court allowed the appeal.

As an aside, between the hearing of the Full Court appeal and its handing down of reasons, the Canadian Supreme Court handed down its decision in *AstraZeneca Canada Inc v Apotex Inc* [2017] 1 SCR 943, concluding that the utility requirement in Canada’s patents statute is to be interpreted in line with the purpose of preventing the patenting of fanciful, speculative or inoperable inventions. In contrast to the Full Court in the present case, the Supreme Court held that the utility requirement does not involve determining whether promises made in the specification are met – “promises are not the yardstick against which utility is to be measured”. The Supreme Court held that the “promise doctrine” “undermine[d] a key part of the scheme of the Act; it is not good law”, citing *British United Shoe Machinery Co v A Fussell & Sons Ltd* (1908) 25 RPC 631.

### ***GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 2) Limited v Generic Partners Pty Limited*** [2018] FCAFC 71

[10 May 2018]

*Patents – pharmaceutical products – paracetamol tablets – description of testing apparatus – reference to a “reciprocating basket” understood by skilled addressee to be in error – whether claims should be construed so as to avoid the error*

*Patents – fair basis – interpretation of the complete specification – use of common general knowledge to inform interpretation*

*Patents – best method – level of detail required in describing ingredients in pharmaceutical formulations – relevant of manufacturing and processing information in marketing authorisation approvals*

Pain is, well, a pain. One medication commonly used to relieve and manage pain and fever is paracetamol. Paracetamol is safe in low doses, but at high doses can cause liver damage and other problems. For this reason, the usual dosing regimen of paracetamol tablets is two tablets (each containing 500mg of paracetamol) every four to six hours.

When a drug like paracetamol is administered, it is absorbed by the body, distributed through blood plasma and body tissues, broken down (or “metabolised”) and eventually eliminated; the overall process of a drug moving through a living system in this way is referred to as “pharmacokinetics”.

These pharmacokinetic processes mean that the concentration of a drug administered to a living system will change over time. Because of this, ensuring that the amount of paracetamol present in a person’s system remains both sufficient to provide effective pain relief (that is, the drug’s “therapeutic level”) and safe can be challenging. In other words, in safe doses a paracetamol tablet may start to “wear off” before it is time to take another dose.

One solution is to formulate paracetamol tablets with two layers, one that dissolves quickly and releases an immediate dose of paracetamol (“immediate release”) and another that dissolves more slowly and so releases its dose over a longer period (“sustained release”). McNeil Inc’s Tylenol® Extended Relief is an example of such a “bilayer” paracetamol tablet, and is the subject of a patent that discloses a tablet containing between 650 and 667mg of paracetamol, distributed equally between immediate release and sustained release layers (“McNeil tablet”). It should also be noted that such a tablet contains more paracetamol than is present in standard paracetamol tablets.

The appellants (collectively “GSK”) have rights to a patent for another bilayer paracetamol tablet (“GSK patent”). The GSK patent discloses a bilayer tablet containing between 600 and 700mg of paracetamol, but with a different allocation of paracetamol between the immediate release and sustained

release layers. Claim 1 of the patent specifies constraints for the tablet's "dissolution profile" (that is, a drug's concentration as a function of time after being added to a dissolution medium, or its "release rate"), to be determined by a "USP type III apparatus, reciprocating basket" under particular conditions. Tablets with a dissolution profile falling within the specified constraints are said to be superior to the McNeil tablet because they have a lower "fluctuation index" or "FI" (a measure of the variability in concentration of a drug over time); the lower the FI, the lower the risk of accidental overdose and the safer the product.

The dissolution profile of a drug is tested *in vitro* using an apparatus under conditions that try to mirror the pharmacokinetics of the human body. A "USP type III" apparatus is one of four apparatuses used to measure a drug's dissolution profile; the others are referred to USP type I, type II and type IV. It is necessary to identify the apparatus with specificity, because the different types of apparatus use different methods to move fluids involved in the testing, and this affects the dissolution results. Testing the same drug using different apparatuses will produce different dissolution profiles, and there is no established correlation between those results.

The reference in claim 1 to a "type III apparatus, reciprocating basket" is incongruous, because while a type I apparatus uses a basket, a type III apparatus uses a reciprocating cylinder. As at the priority date of the GSK patent, 19 April 2000, it theoretically was possible to use a type I basket instead of the cylinder of a type III apparatus, but there would be no guarantee the apparatus would work, or produce the same dissolution profiles as the standard type III apparatus. Nevertheless, the reference to a "basket" being used with a type III apparatus would not have been dismissed by a skilled address as being ridiculous nor turned the invention into a basket case.

At trial, a key issue was how a skilled addressee would construe the reference to a "reciprocating basket" in the context of a "type III apparatus" described in the claims of the GSK patent, in light of the common general knowledge at the priority date. The learned trial judge accepted that the skilled addressee would understand that "basket means basket" and that the reference to "basket" was erroneous, but contrary to GSK's submissions declined to construe claim 1 as referring to a type III apparatus with a reciprocating cylinder; his Honour considered such an approach to involve an impermissible re-writing of the claim "under the guise of construction". His Honour also held that the hypothetical type III apparatus using a basket would have been considered to be possible, and further would "still work". His Honour's findings were fatal to GSK's infringement action against the respondents (for convenience, "Apotex").

On appeal by GSK, the Full Court (Middleton, Nicholas and Burley JJ) found no error with the trial judge's findings

of fact referred to above, and accepted that a skilled addressee would understand the reference to a "reciprocating basket" to be an error. As the Full Court observed at [112]:

*[the] question is whether, if the court were to also interpret the claim so as to correct the mistake, it would be re-writing the claim or merely interpreting it through the eyes of the skilled addressee in accordance with the principles to which we have referred. (Emphasis added).*

The Full Court noted that it is for the court to construe the meaning of claims; the skilled addressee's understanding of claim 1 cannot override the function of claims in defining an invention. In this case, either ignoring the words "reciprocating basket" (and thereby reverting to the standard set up of a type III apparatus) or interpreting "basket" to mean "cylinder" effectively would re-write the claim. Accordingly, claim 1 properly was to be construed as referring to a type III apparatus with a reciprocating basket, and GSK's appeals were dismissed.

At trial, Apotex was unsuccessful on a cross-claim to have the GSK patent revoked for lack of fair basis and failure to disclose the best method known to GSK for performing the invention. Apotex cross-appealed on those issues.

As to fair basis, Apotex argued that the specification in the GSK patent disclosed a single formulation for a bilayer paracetamol tablet with a "unique" dissolution profile, and that that invention was narrower than the scope of the invention described in the consistory clauses of the specification. Apotex submitted that in rejecting Apotex's argument, the trial judge erred by going beyond a pure textual analysis of the specification, looking further to matters relating to common general knowledge (like expert evidence and extraneous documents) and to questions of reasonableness, utility and sufficiency.

The Full Court rejected Apotex's criticisms of the trial judge's approach, and the proposition that specification describes an invention narrower than that described in the consistory clauses; the skilled addressee (equipped with the common general knowledge) would understand the specification to refer to tablets with dissolution profiles falling within a range of possibilities. The Full Court also noted that a specification does not need to explain the parameters of that range, or otherwise describe the invention in a different or more detailed way than the claims; while a complete specification must "describe the invention fully", it is not necessary that the specification explain why the invention works.

On best method, the Full Court accepted that a particular formulation described in the specification represented the best known method for formulating the tablet. Apotex's attack was founded on one ingredient of that formulation, a polymer powder referred to as "HPMC", being identified only as "high viscosity HPMC", without specifying the

particular grade or viscosity or what degree of granulation prior to compression of the tablet was used. However, in its marketing authorisation application (“MAA”) for the drug it in fact marketed (completed just prior to the filing of the application for the GSK patent), GSK had included specific information about the grade and viscosity of the HPMC, and the degree of granulation, used which led to the tablet being as close to the “ideal” dissolution profile as possible. The Full Court noted that that fact did not necessarily mean that the MAA disclosed the best method, as opposed to some commercially expedient method. Further, the expert witnesses did not know whether granularity would have a significant impact on dissolution profiles. Accordingly, the Full Court (at [203]) rejected Apotex’s argument and upheld the trial judge’s finding that the best method had been disclosed, “albeit at a level of generality that did not include the more detailed but inessential manufacturing and production information described in the MAA”.

In short, none of the parties were successful at trial or on appeal; this was, no doubt, a bitter pill to swallow.

***Meat & Livestock Australia Limited v Cargill, Inc***  
[2018] FCA 51  
[9 February 2018]

*Patents – method for identifying traits from genetic make-up of cows – manner of manufacture, inventive step, sufficiency, novelty, fair basis, clarity, definition and utility.*

As any frequent diner will know, beef comes in grades that differ in quality (ranging from “prime” to “canner”) and hence desirability and price. Of the various characteristics used to determine quality, one is how “well-marbled” is the beef. Unfortunately for the animal in question, determining the level of marbling usually involves inspecting the slaughtered animal (ultrasound testing also is possible, but less accurate). Similarly, determining “tenderness” – another trait associated with higher quality beef – usually requires testing of cuts of meat taken from the slaughtered animal.

For farmers interested in breeding cattle, it would be useful to be able to determine a bull or cow’s genetic potential to produce offspring with tender, well-marbled meat or other desirable traits without first having to kill the parents to do so, for obvious reasons. Indeed, it would be useful to know at a young age whether a particular cow or bull is likely to have desirable traits that might not manifest until much later in life (or after slaughter). Selective breeding has been part of animal husbandry for some time, but some traits are difficult, costly or otherwise impractical to measure. More recently, however, the identification of gene sequences within DNA has revealed that some traits can be passed on readily through the action of a single gene, while others require interaction between many different genes.

Geneticists have begun to take stock of the underlying genes responsible for the presence (or otherwise) of commercially

valuable traits in livestock animals, aided by the new fields of molecular genetics and genomics. Various experimental approaches have been developed, but none has proven to be sufficiently predictive of the expression of valuable traits to be useful. These approaches also fail to take into account the “dominance” of certain genes over others, or interactions between genes.

The respondents (for convenience, “Branhaven”, the respondent who actively resisted the appeal) are in the business of raising livestock. The respondents have applied for an Australian patent (“Application”) that relates to a method of predicting relevant, desirable traits of cattle using a biological sample taken from the living animal. For example, claim 1 in the Application is for a “method for identifying a trait of a bovine subject from a nucleic acid sample”, where the method comprises identifying at least three particular types of variations in a DNA sequence (called “single nucleotide polymorphisms” or “SNPs”) that are “associated” with a target trait and are found at, or near, specified points in the relevant genetic sequence. For example, the specification lists 2,510 SNPs with a statistically significant association with five particular bovine traits (the “five traits”, which include marbling and tenderness), although the method described in the claim is not limited to those specified SNPs. Readers interested in a more detailed lesson on bovine genetic sequencing should steer themselves towards paragraphs [18] to [145] of Justice Beach’s decision.

The appellants (for convenience, “MLA”) are companies that invest in, and conduct, research relevant to the Australia meat and dairy industries. It objected to the Application, and took its beef to the Patent Office. Before the delegate of the Commissioner of Patents, MLA pressed a number of grounds, including lack of inventive step, lack of sufficiency, lack of clarity, lack of fair basis and that the invention did not relate to a manner of manufacture. It failed on all grounds, save that its objections based on manner of manufacture and lack of clarity were upheld in respect of claim 13. Given how much there was at stake, MLA appealed to the Federal Court.

On appeal before Beach J, MLA ran a case that was “considerably more expanded”, including the grounds referred to above and adding lack of novelty and lack of utility (which had not been pressed before the delegate). The Court also heard considerable additional expert evidence from both sides (pun intended). His Honour was not cowed by the expansion of the scope of the case, however, noting that as an appeal *de novo*, the case was not required to be “confined to the legal grounds and forensic landscape before the delegate”. Ultimately, the majority of MLA’s grounds of opposition were put out to pasture, save for objections based on lack of clarity and lack of definition.

MLA’s lack of clarity and lack of definition claims centred on two issues. The first involved the construction of the word

“associated” in the claims. In his Honour’s view, the degree of statistical significance attendant on the relevant “association” between a SNP and a desirable trait ought to be stipulated; the skilled addressee should not have to shoulder the burden of determining the requisite degree of association. A second issue was the treatment of “linkage disequilibrium” or “LD” (in effect, a tendency for particular genetic markers to be found to be inherited together more than would be expected by chance). Again, in his Honour’s view the claims should incorporate a reference to LD with the specific 2,510 SNPs rather than simply a physical genetic distance (500,000 base pairs from one of the specific 2,510 SNPs).

MLA’s appeal was upheld on those grounds, but with the caveat that the relevant issues might be resolved with appropriate amendments to the Application. The parts of his Honour’s decision dealing with utility contemplate that at some point “appropriate amendments” would be made, although the fate of an application to amend is by no means assured.

On the question of method of manufacture, MLA argued that the claims in the Application effectively related only to “the mere discovery of a naturally occurring correlation between naturally occurring SNPs and naturally occurring traits”. Or put more simply, the claims merely were to information about a naturally occurring phenomenon. His Honour noted that to address that contention, one needed to horn in on the substance of the claims. If all that is claimed is the identification of a natural phenomenon (in this case, a correlation between traits and certain variations in bovine gene sequences), then the invention is not a manner of manufacture. However, as was noted in *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 (“*Myriad*”) at [137]:

*the application of naturally occurring phenomena to a particular use may be a manner of manufacture if it amounts to a new process or method bringing about an artificially created state of affairs of economic significance. (Justice Beach’s emphasis, and ours).*

Seeking to milk that observation from the High Court in *Myriad*, MLA argued that the claims in the Application do not “give rise to an artificially created state of affairs”. At best, the invention yields “added knowledge about the inherent nature of the animal”. Naturally occurring genetic information is not patentable, even if “isolated from its natural state”; that information is simply discerned, and nothing is “brought about” in the requisite sense. His Honour disagreed, finding (at [453]) that the claims are directed to methods (and other embodiments) “*involving the practical application of the identification of SNPs ... and their association with a trait of interest*”; those associations are (at [454]) “*objectively ascertained correlations*” that do not exist in nature (even if the correlated phenomena are), but are an artificial subject matter resulting from human action.

Further, that application is being put towards a specified use. The same reasoning applied to the remaining claims, without the need for further rumination.

MLA’s attack on novelty also was rejected. His Honour held (at [521]) that none of the prior art documents relied upon by MLA “*provides a disclosure, let alone a disclosure with sufficient clarity, of all of the essential features of the claimed invention*”. None of MLA’s prior art disclosed the SNPs identified in the specification or taught the use of three or more SNPs to predict animal traits, nor did MLA establish that following the “clear and unmistakable directions” of its prior art “inevitably” would result in the claimed method.

On the question of obviousness, it was not in dispute that as at the priority date the existing assessment methods for bovine traits, such as the “candidate gene” approach, had gotten off to a jerky start. To apply a “genome wide approach” such as that used by the invention would have been technically challenging, expensive and time-consuming. Further, the use of SNPs as genetic markers in bovines didn’t get a guernsey at the priority date; “microsatellites” were the principal genetic markers used at the time. In summary, his Honour held that MLA failed to establish that the invention as claimed (in any of the claims) lacked an inventive step.

MLA’s attacks on utility focused on the “promise” of the invention to allow “very accurate” prediction of the genetic potential of breeding stock. In contrast, the claims: did not require a statistically significant association between the SNPs chosen and the desired trait (although this would be rectified by his Honour’s suggested amendment); included SNPs that had not been validated in wider bovine populations; included SNPs whose association had been assumed; would not allow multigene, quantitative traits to be predicted from just three SNPs even if individual statistical significance was added as a requirement. On the latter point, MLA’s expert evidence was to the effect that many more SNPs would be necessary to establish the requisite association with a desired trait (and therefore for the invention to be useful). His Honour noted at [839] that the issue of utility (together with those that went to clarity and description) “troubled me the most”.

On the question of utility, his Honour noted at [821] that three questions are to be asked:

*What has been promised (as gleaned from the specification) for the invention as delineated by the relevant claim? Is the promise useful? Has the promise been met?*

The specification is to be construed from the perspective of a skilled person so as to avoid unworkable results and the specification need not of itself demonstrate that the promise is met by the claims, is commercially practicable, or achieves the promised outcome in all cases. The authors note that these observations mirror the discussions by the Full Court in the two cases reported above.

His Honour accepted Branhaven's contention that the specification did not promise a definite degree of advantage from using the invention, and noted that the limiting nature of the amendments foreshadowed earlier (that is, amendments designed to ensure the association between SNPs chosen and the relevant traits was statistically significant) would ensure the utility of the invention. The potential for false positives and a need for the skilled addressees to validate SNPs for their own target population did not detract from that conclusion. MLA having failed to discharge its onus of proof to demonstrate that the method would not product a useful result in any particular case, his Honour rejected this ground of appeal.

MLA's objections based on sufficiency centred on an asserted failure by the claims to teach the skilled addressee how to produce something. Further, because alternative methods were claimed in some claims, the specification needed to describe how to perform the invention under all methods claimed, not just one. Similarly, a description needed to be included as to how to perform the invention with respect to each of the five traits. His Honour rejected those contentions, finding that the skilled person could readily – and without undue experimentation – put the invention into practice by performing an embodiment of the invention within the scope of each claim. This could be done simply by choosing three SNPs (in the case of claim 1) from the 2,510 specified SNPs included in the specification, and using them to infer the potential for the relevant population to possess the associated trait. MLA's evidence did not establish facts to the contrary.

Bringing up the rump was MLA's objection based on lack of fair basis. MLA's arguments centred around the fact that the claims claimed methods that were not in their terms limited to the five traits identified in the specification, nor limited to the 2,510 SNPs listed in the specification. To satisfy the requirement in section 40(3) of the *Patents Act 1990* (Cth) that claims be "fairly based" on the matter in the specification that discusses the invention, his Honour observed at [917] that "one is looking for a generalised disclosure in the body that provides supports for the claims". There is no need to require of the specification details of essential integers that correspond with those mentioned in the claim, nor should an "over meticulous verbal analysis" be employed. On that basis, his Honour was satisfied that specification included a broad description of the invention that was not limited to the use of any particular SNP associated with any particular trait. Accordingly, he rejected that ground of opposition.

The outcome of the case was, no doubt, a veal shock and udder disappointment for MLA (and probably perceived as a load of bull). However, the question of whether Branhaven's interlocutory application to amend the claims of the Application to His Honour's concerns will be allowed is stampeding toward hearing.

### ***Davies v Lazer Safe Pty Ltd***

[2018] FCA 702

[18 May 2018]

*Patents – infringement and validity – safety system used for the detection of obstructions in the path of a moving part of machinery, such as press brakes*

For those unaccustomed to industrial machinery, you would be forgiven for thinking that a press brake is the pedal to the left of the accelerator and equally be forgiven for noting that it would be interesting but generally not very helpful to know that your brake pedal is obstructed prior to using it.

But a press brake is, in fact, a device used to bend sheet and plate metal. And where the obstruction in a press brake is an appendage of the body, a safety system which detects the obstruction, and stops the machine, would be considered very useful to the owner of said appendage. And also the owner of the machine. And perhaps the manufacturer of the machine.

Returning to the case at hand, there was a plethora of safety systems in the market prior to the patented invention, which included light beams projected onto detectors that, if the beam was broken, caused the machine to stop. The claims of the patent in suit described a particular type of safety mechanism for a part of a machine that moves through a known path, with a light emitting means, a light receiving means and a processing and control means to receive "image information" from the light receiving means and thereby recognise the presence of shadows cast by obstructions and, with that information, determine the boundaries of the shadowed region and control movement of the said part of the machine.

Before your eyes glaze over, the gravamen of this case concerned the proper construction of the claim and whether, as Mr Davies asserted, the claim did not require the shape of an obstruction to be determined and did not require a comparison with a stored image. While you ponder that, you will no doubt be unsurprised to hear that the respondents' position was that the claim required the system to determine the shape of any obstruction and compare that against stored images and thereby control the movement of the part based on the determination of identification of the shape of the obstruction. The respondents argued that they therefore did not infringe, but as a safety net asserted that, if they did, then the claims were invalid.

The respondents' safety system first scans and then identifies the location of the moving part and then blanks segments of the resulting image representing the location of that part. This means that the shadow cast by the part would not result in the part being stopped from moving. Only if a shadow is detected in a non-blanked area, an "unknown" shadow, is movement of the part stopped. This does not involve determining the shape of an obstruction or comparing it to any stored images so as to cause the part to stop moving.

Justice McKerracher held that he preferred the evidence of the respondents' director as to construction of the claims of the patent, since he was "representative of the skilled addressee" and the applicant's independent expert was not. That is curious insofar as his Honour did not find that any of the terms used in the claims of the patent held anything but their ordinary meaning as opposed to a special technical meaning. Accordingly, it might be said that there was no need to prefer one witness's construction of the claims of the patent over another.

That did not put a brake on his Honour finding that the claimed "image information" received from the light receiving means must be information used to "recognise the presence of one or more shadowed regions". His Honour concluded that, therefore, the shape of the obstruction must be capable of being determined sufficiently to be used by the system. The word "recognised" meant that the system is not just detecting a shadowed region but "recognises, that is, compares the shadowed region detected with what is previously known – the shape of obstructions". That construction was said by his Honour to be consistent with the body of the specification. Finally, to press the point home, his Honour concluded that it was "quite clear that the blade [moving part] cannot be an obstruction" within the meaning of the claim and the requirement that a "boundary" of the shadowed region to be determined would not occur if only an edge of an object was discerned.

His Honour accepted that the respondents' system did not determine any shape or boundary of the obstruction as required by the claims. The respondents' system instead uses a "relatively simple method to determine the presence of an obstruction by monitoring a list of binary values which convey the "obstructed" or "clear" state of pre-determined areas". To sheet the point home, his Honour observed that imaging of the moving part itself was irrelevant because that was not the relevant obstruction of the claimed invention.

There was no obvious break with tradition on validity – the asserted anticipations failed to clearly identify every integer of the claimed invention and the respondents' evidence of what constituted common general knowledge was not accepted – the director of the corporate respondent, while a skilled addressee, was too knowledgeable.

### ***Sportsbet Pty Ltd v Crownbet Pty Ltd***

[2018] FCA 1045

[11 July 2018]

*Trade marks – misleading and deceptive conduct – interlocutory injunction – user of "SPORTSBET" seeks restraint on use of "SPORTINGBET" – characteristics of online betting market – admissibility of focus group report – prima facie case – previous co-existence of rival names – balance of convenience – need to find new name*

The applicant has since 1999 marketed online betting services under the name SPORTSBET, first as part of a registered domain name and, since 2004, as the subject of a number of registered trade marks on sports and "a selection of general entertainment and political events" (presumably mutually exclusive activities). From 2001 to 2015 the respondent used the SPORTINGBET brand and trade marks extensively in the course of its online wagering business.

In March 2013 the respondent was acquired by William Hill plc. In September of that year the respondent announced it was discontinuing the use of the SPORTINGBET brand because there was some confusion in the market between that brand and the rival SPORTSBET. In January 2015 William Hill announced that customers would be moved from SPORTINGBET and certain other brands to the WILLIAM HILL brand. There was subsequently some limited use of the SPORTINGBET brand between February and August 2016, but none since the latter date.

The present litigation arises from the proposal of the respondent to commence offering betting services under the name SPORTINGBET from the end of August 2018. This proposal is a result of contractual obligations in the course of corporate ownership changes that require the respondent to cease using the names WILLIAM HILL and CROWNBET by, respectively, 26 August and 22 October 2018. So a new name will be needed. Hence the plan to up the ante and take a punt by resurrecting the formerly used SPORTINGBET. The authors wager that in doing so, the respondent gambled on the applicant not taking objection to the new name.

On 11 July 2018 Justice Moshinsky, upon the usual undertaking as to damages, granted an interlocutory injunction against the use of the name SPORTINGBET by the respondent. His Honour applied the well-established authorities on the grant of interlocutory injunctions and section 18 of the *Australian Consumer Law*.

Particular features of the case are worth noting. First, there was no cross-examination of substantial affidavit evidence from both sides. Secondly, the only admissibility objection was to the report of a focus group prepared by an independent market research company. This was said to be inadmissible hearsay. His Honour held that the report was admissible on an interlocutory application. However, the respondent had argued that the report was prejudicial because the participants were not identified, nor were the questions put and the answers received. His Honour considered that for those reasons only limited weight could be given to the report (at [11]).

On the question of *prima facie* case, the respondent pointed out that the SPORTSBET and SPORTINGBET brands had been used by trade rivals for some 14 years (2001 to 2015). There was only limited evidence of confusion. Further, both names were clearly descriptive of the business of the rivals,

viz. betting on sport. There was need to demonstrate the word had acquired a secondary meaning distinctive of the applicant's business: *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216 at 229-230, *Bohemia Crystal Pty Ltd v Host Corporation Pty Ltd* (2018) 354 ALR 353 at [312].

The proposed use of SPORTINGBET would be in a different font and colour (purple v blue and yellow). Nevertheless his Honour found not just a prima facie case, but a “strong” one (at [91], emphasis in original).

In doing so, his Honour relied particularly on an analysis of the nature of the online betting market, including the importance of new bettors being young unsophisticated adults, and often likely to make decisions in social groups, such as AFL Grand Final and Melbourne Cup barbecues. (The authors note that TV betting advertisements often feature cheerful male groups in a social setting, while anti-betting promotions show a miserable lonely figure looking at a laptop.)

Also mentioned by his Honour (at [92]) are the importance of word of mouth knowledge, and the very significant number of consumers who find their way through paid search engine advertisements or via organic searches of the App store. Many will use mobile devices where “the display screen is smaller, and differences will be less easy to distinguish” (at [98]). His Honour noted (at [94]) that even now conducting a Google search for SPORTSBET results not only in the applicant's website being presented but also sponsored links for the websites of two of its competitors: Ladbrokes and Bet365. However, the comment might be made that all these hazards of the internet world existed throughout the 14 years when the highly descriptive names SPORTSBET and SPORTINGBET were used by trade rivals, with very little solid evidence of confusion, still less of misleading of consumers, and certainly no recourse to litigation.

On the question of balance of convenience, while this is of course the conventional title for the second step in the interlocutory injunction process, “convenience” is perhaps used in a somewhat technical sense, suggesting something more serious than “agreeable to the needs or purpose” (*Macquarie Dictionary*). The concept might be better captured by enquiring as to the “lower risk of injustice”: *Bradto Pty Ltd v Victoria* (2006) 15 VR 65, [24]-[35]. His Honour accepted that if an interlocutory injunction were granted but the applicant failed at trial, the odds were that it would probably not be feasible for the respondent to rebrand a second time, and therefore they would “in a practical sense” have lost the opportunity to use SPORTINGBET. This made the degree of likelihood of success a relevant factor in balancing the risks. His Honour in that context therefore relied on his finding that a “strong” prima facie case had been made out (at [107]). On the alternative scenario, his Honour speculated that if an injunction were refused but

the applicant succeeded at trial there would be “enduring confusion in the marketplace”, loss of goodwill and damage which would be difficult to quantify.

### **And in other news:**

- Carlisle Homes has failed to obtain an interlocutory injunction against a trio of companies involved in the development, drafting and construction of that increasingly elusive creature, the “affordable home”. Carlisle Homes sought to restrain the respondents' reproduction of certain of plans (and homes built in accordance with them) alleged to infringe copyright in nine of Carlisle Homes' house designs, pending trial. Carlisle Homes' evidence pointed to similarities that were “not dictated by the block size” and were said to be “unique and distinctive” to Carlisle Homes' plans. The respondents' evidence denied that any resort was had to the Carlisle Homes' plans. The question of prima facie case effectively was conceded, although Justice Murphy questioned whether the relevant features were as “unique and distinctive” as Carlisle Homes claimed. On the other hand, the close similarity between the sets of plans was “concerning” and the lack of early sketches was “troubling”. The question of balance of convenience was finely balanced, but in the end his Honour was not persuaded that the reputational risk was as great as Carlisle Homes contended, and the difficulties in quantifying loss of sales (if Carlisle Homes were to opt for that remedy) would be ameliorated by the limited amount of time within which the respondents could build additional infringing houses before trial: ***Carlisle Homes Pty Ltd v Tick Homes Pty Ltd* [2018] FCA 973.**

### **Naomi Jenkins**

Davies Collison Cave, Sydney

### ***Frucor Beverages Limited v The Coca-Cola Company* [2018] FCA 993**

The Federal Court of Australia has sided with Coca-Cola in an appeal from a decision of the delegate of the Registrar of Trade Marks regarding opposition to Frucor's application for a specific shade of green.

Frucor, a manufacturer of energy drinks containing caffeine and other stimulant ingredients, applied to register a colour mark for energy drinks in class 32. The trade mark was defined in the application as:

*the colour green (Pantone 376C) as shown in the representation attached to the application, applied as the predominant colour to the goods, their packaging or labels.*

However, the swatch attached to the application was not Pantone 376C, and was a different, darker, shade of Pantone colour green.

Coca-Cola opposed the application firstly on the basis that the application had been accepted on basis of a false representation and secondly because the mark was not capable of distinguishing Frucor's goods.

The delegate refused to register the mark, rejecting the first ground of opposition, but upholding the second. The Federal Court had to decide:

- (1) Whether the mark was capable of distinguishing the goods; and
- (2) Whether an application by Frucor to amend the trade mark must
  - (a) Fail on the ground that it would substantially affect the identity of the mark or,
  - (b) Be allowed as it was for the purpose of correcting a clerical error or obvious mistake.

The Federal Court dismissed the appeal, refusing registration of the trade mark. The Court agreed with the delegate that because there was a difference between the specified colour, Pantone 376C, and the actual colour of the representation, this gave rise to an ambiguity which was fatal to the application. Further, the application could not be amended to correct this error because it would substantially affect the trade mark, and would go beyond correcting a clerical error or obvious mistake. The Court was also of the view that while customers associated the trade mark "V" with the product, they did not identify the colour as a trade mark.

### ***Was the mark capable of distinguishing the goods?***

Frucor filed substantial evidence, including survey evidence of the use and recognition of the Pantone 376C (referred to as "V Green") mark and its association with Frucor's energy drink. Evidence was adduced demonstrating that they had used the colour since 1999. Between 1999–2012 1.5 billion units of "V" energy drink had been sold in Australia, with 739 million of these units between 2006–2012. V Green was used on cans, wraparound plastic packaging and on cardboard holders on multipacks.

Frucor also adduced two studies of quantitative research evidence, carried out on participants chosen from members of the public who had consumed an energy drink in the previous four-week period. Frucor submitted that the overall conclusions from the two studies were that:

- (a) Those respondents who had been consuming energy drinks for a longer period of time were more likely to identify Pantone 376C with Frucor's "V" energy drink.
- (b) Repetition of brand exposure through purchase and consumption is driving identification between Pantone 376C and Frucor's "V" energy drink.
- (c) The studies demonstrate a high level of identification between Pantone 376C and Frucor's "V" energy drink.

- (d) Pantone 376C in fact distinguishes Frucor's "V" energy drink in the minds of consumers from the energy drinks of other traders.

Coca Cola criticised this evidence, although it did not call its own expert evidence to support these criticisms. In its submissions, Coca Cola argued that colours have been used traditionally to denote flavours and variants and that Frucor had done that in relation to its different "V" drinks. Furthermore, it was shown that Frucor had sold different colour drinks, such as the "V" BLUE variants presented in a blue can, "V" SUGARFREE variants in a silver can and a "V" BLACK variant presented in a black can.

The Court agreed that the evidence was not sufficient to persuade the court that mere recognition of an association between Frucor and V Green resulted in V Green acting as a badge of origin. It was persuaded by Coca Cola's submissions that colour is commonly used to denote not only product flavour, but, more generally, some varietal characteristic of the beverage e.g. "sugar free". The Court concluded that "consumers would have regarded 'V' Green as designating the core product, and nothing more" [at 167]. It was not satisfied that before the filing date, V Green functioned as a separate trade mark alongside and independently of the "V" logo.

### ***The Court's power to amend the Application***

The question for the Court was: would an application by Frucor to amend the trade mark fail on the ground that it would substantially affect the identity of the mark, or in the alternative, could Frucor amend on the basis that the amendment was for the purpose of correcting a clerical error or obvious mistake?

Frucor argued that the Court has jurisdiction and power, pursuant to s.63 of the *Trade Marks Act 1995* (Cth) ("the Act"), to make an order directing amendment of the trade mark application. Frucor initially submitted that the amendment it sought would not offend s.65(2) because it would not substantially affect the identity of the mark. It relied on reasoning in *Genetics Institute Inc v Kirin-Amgen Inc* [1996] FCA 540; (1996) 67 FCR 527 ("Genetics Institute"), which states that when exercising the powers conferred by s.160 of the *Patents Act 1990* (Cth) (which is materially the same as s.197 of the Act), a court could order that a patent application or trade mark application proceed to grant subject to amendments being made. In its oral submissions, it sought to argue that if the application is ambiguous as to the identity of the mark then the Court could exercise the power to amend only if it comes to the view that the colour of the mark applied for was, unambiguously, Pantone 376C.

Coca Cola argued that the Court did not have jurisdiction to amend the application and that, even if it did, the Court would not make such an order as a matter of discretion because to do so would violate the statutory scheme provided

by ss.63 and 65. Coca Cola also argued that the Court should not make the amendment sought because it would substantially affect the identity of the mark at the time when particulars of the application were published under s.30 and thus be contrary to s.65(2) of the Act. Further, Coca Cola argued that the delay in requesting an amendment (the error had come to light on 14 October 2014, nearly four years before these proceedings) was excessive.

The Court found that the inability of the mark to satisfy s.41(6)(a) and hence the requirement of s.41(2) (of distinguishing Frucor's goods), meant that the application could not be cured by the proposed amendment. In relation to its powers on appeal, the Court held that the amendment would not be allowed under s.65(2) as the substitution of a "markedly different" swatch would substantially affect the identity of the mark. This was the case even though the description referred to the correct Pantone colour because aspects of the description made clear that the mark applied for was the green colour shown in the representation, even though the description misnamed that colour.

### **Comment**

This case demonstrates not only the high evidentiary bar associated with registering colours as trade marks. It is also a salutary reminder that if an applicant is seeking to amend a trade mark to correct a clerical error or obvious mistake, it should do so when the error comes to light.

- 1 *Australian Government response to the Productivity Commission's inquiry into Intellectual Property (IP) arrangements*, August 2017 <<https://www.industry.gov.au/data-and-publications/australian-government-response-to-the-productivity-commissions-inquiry-into>>.
- 2 PC Report recommendation 12.1(c).
- 3 PC Report recommendation 13.1.
- 4 PC Report recommendation 12.1(a).
- 5 PC Report recommendation 10.1.
- 6 PC report at page 28 – Summary.
- 7 PC report recommendation 7.2; Schedule 1 Part 1 Item 2 of the PC Part 2 Bill.
- 8 *Aktiebolaget Hassle v Alphapharm Pty Ltd* [2002] HCA 59 at [53].
- 9 EM to the PC Part 2 Bill, page 11.
- 10 EM to the PC Part 2 Bill, page 9.
- 11 *Exposure Draft Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018* (Cth) Consultation questions found at <<https://www.ipaustralia.gov.au/search/site/consultation%20questions>> ("Consultation Questions").
- 12 IP Australia response to public consultation on several Intellectual Property ("IP Australia Response") matters, page 2 found at <<https://www.ipaustralia.gov.au/files/ipaustraliaresponseandconsultationoutcomepdf>>.
- 13 PC Report recommendation 7.1 at page 33.
- 14 IP Australia Response at page 3.
- 15 IP Australia Response at page 3.
- 16 IP Australia Response at page 4.
- 17 EM to the PC Part 2 Bill, page 9.
- 18 *Patents Act* 1990 (Cth), s.133(1).
- 19 EM to the PC Part 2 Bill, page 40.
- 20 EM to the PC Part 2 Bill, page 40.
- 21 Consultation Questions.
- 22 Consultation Questions.
- 23 Consultation Questions.
- 24 EM to the PC Part 2 Bill, page 49.
- 25 Where any of us was involved in a case reported and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case.

# Current Developments - Asia

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## SINGAPORE

**Winnie Tham and Zachary Foo**  
Amica Law LLC  
Correspondents for Singapore

***Nanofilm Technologies International Pte Ltd v Semivac International Pte Ltd and others***  
[2018] SGHC 167

### ***Brief Facts***

The plaintiff, Nanofilm Technologies International Pte Ltd (“Nanofilm”), is a Singaporean company that manufactures and provides Filtered Cathodic Vacuum Arc (“FCVA”) technology products and services. FCVA is a method of coating articles with a thin film of metallic, ceramic or composite substances to prolong its life.

Dr Shi Xu is the founder and chief executive officer, while Dr Wei Hao is the senior vice-president.

The defendant, Semivac International Pte Ltd, is a Singaporean company that provides products and services in the vacuum industry, specialising in providing pumps, spare parts and installation and maintenance services.

Xu Yibo (“Xu”) was a former employee of Nanofilm. Whilst in the employment of the plaintiff, Xu became a director at Semivac and continued to serve on the board until he was dismissed from Nanofilm on 13 January 2016.

Hu Lang (“Hu”) was also formerly employed by Nanofilm, Hu left Nanofilm in 4 January 2008 to set up Semivac and was its managing director since 6 October 2008.

### ***Decision***

#### ***Copyright infringement***

Nanofilm claimed that Semivac infringed its copyrights in 14 technical drawings, diagrams and/or photographs by reproducing them in a presentation that was used by Semivac (“the Works”). Alternatively, they argued that even if the drawings are not identical, the confidential information behind Nanofilm’s technical drawings have been misappropriated by Semivac and Xu.

On the other hand, Semivac disputed Nanofilm’s copyright infringement claim over the Works on two grounds:

- (a) That the Works were created before the incorporation of Nanofilm and that there was no evidence that the authors assigned their copyrights to Nanofilm.

- (b) That it was unclear whether Nanofilm owns the photographs that comprise the Works as they were only able to produce copies of the photograph. Further, it was unclear whether the photos were taken by Nanofilm or a third-party company that they commissioned.

The Singapore High Court (“the Court”) first addressed the issue of ownership of the copyright in the drawings, followed by an analysis of whether Semivac infringed Nanofilm’s copyright.

#### ***Whether Nanofilm owns the copyright in the drawing***

The Court relied on s.30(6) of the *Copyright Act* 1987 (Singapore) (“the Copyright Act”), which provides that copyright in a work belongs to the employer where the work is made by an employee in the course of employment. It concluded that Nanofilm was the owner of the copyright, even if some drawings were related to components or parts that were not exclusive to FCVA machines. If this were to fail, the Court found that Nanofilm could assert ownership on three alternative grounds:

- (a) Relying on *Missing Link Software v Magee* [1989] 1 FSR 361, the Court found that Xu cannot rely on his breach of contract to submit that the Works were not made in the course of his employment to the plaintiff. Hence, ownership would lie with Nanofilm.
- (b) Relying on *Attorney-General v Guardian Newspapers Ltd* (No 2) [1990] 1 AC 109, the Court noted that copyright can be the subject matter of a trust and that Nanofilm would be entitled to assert rights over the Works on this basis.
- (c) Finally, even if the Works were not within Xu’s employment with Nanofilms, Nanofilms would be entitled to the copyright as there was a signed Agreement of Invention Assignment and Confidentiality that would be enforced by s.195 of the Copyright Act.

#### ***Whether copyright can be used to protect against misappropriation***

Next, the Court addressed whether the Works reproduced a substantial part of Nanofilm’s pre-existing technical drawings. The Court first emphasised that the copyright protects original expression and not the underlying idea, goal or information embodied in a work and that a greater amount of exactitude is required for copying to be found where it is hard to separate idea from expression in the work. It concluded that aside from two drawings, Nanofilms did not establish that the Works reproduced a substantial part of Nanofilm’s pre-existing technical drawings.

The Court then proceeded to Nanofilm's misappropriation claim and concluded that copyright is not concerned with protecting confidential information or concepts as such and that its concern is original authorial expression. It acknowledged that some areas of copyright overlap with confidentiality, like protection for unpublished works and information technology. However, these areas specifically limit protection to expression and not ideas. Thus, it concluded that copyright could not be used to protect against misappropriation by others.

*Whether Semivac can rely on the useful article defence to protect against infringement of the pre-existing technical drawings*

The Court then moved on to address Semivac's reliance on s.70(1) of the Copyright Act (the useful article defence) and whether it was applicable to negate any infringement. For the defence to apply, it had to be shown that the work has been applied industrially. Testimony from the plaintiff's witness revealed that 12 technical drawings belonging to Nanofilm were industrially applied by Nanofilm, and hence the useful article defence could be invoked. Of the 12, the Court found that there was infringement of two drawings, as the making of a photocopy to obtain a quotation from a third-party manufacturer is a reproduction reasonably required for making the useful article.

*Whether Semivac can rely on the useful article doctrine to protect against infringement of the Works*

The Court then proceeded to analyse whether the Semivac infringed the copyrights in the Works. On the facts there did not seem to be infringement on the basis of making a three-dimensional reproduction, as there was no fabrication in Singapore. However, it found that because there was at least two-dimensional reproduction of the technical drawings in Singapore, Nanofilm would succeed on its claim for copyright infringement.

The Court then analysed Semivac's useful article defence and found that this was not applicable in this case. It found that the Works were not slavish copies of any earlier technical drawing of Nanofilm and it also did not appear that Nanofilm industrially applied the Works.

***Breach of contract***

The Court found that the contractual provisions did expressly provide that Xu was not to engage in any other business or divulge any confidential information. On the facts, the Court found that it was clear that Xu did work during his normal working hours for Semivac and that he was a full-time employee that was given special access to the Nanofilm drawings at the time the act was committed. Further, it found that Xu had special unique privileges to copy the technical drawings without restrictions.

On the basis of these facts coupled with the finding that the technical drawings were confidential information, the Court

found that Xu breached his employment contract.

***Breach of confidence***

Nanofilm averred that Semivac and Xu breached their duty of confidence owed to Nanofilm, arguing that this duty arose by virtue of his contract.

Conversely, Semivac argued that there was no breach of confidence as the technical drawings relate to third parties' components and hence were not confidential information.

Reviewing the facts, the Court held that the technical drawings were indeed confidential and was also not persuaded by Semivac's submission, concluding that Semivac was aware that the technical drawings would be confidential information as mentioned in their AEIC. It found that all elements of breach of confidence were satisfied on the facts here and that Semivac and Xu both did indeed breach their respective duties of confidences.

***Inducement of breach of contract***

Finally, Nanofilm alleged that Hu Lang induced Xu Yibo to breach his contract with Nanofilm.

In response, Hu argued that there was no evidence that he knew the terms of Xu's contract with Nanofilms and that there was no evidence that he induced or intended Xu to breach his contract with Nanofilms.

Drawing guidance from *M+W Singapore Pte Ltd v Leow Tet Sin and another* [2015] 2 SLR 271 ("*M+W*"), the Court concluded the evidence strongly supports the drawing of the inference that Hu did indeed induce Xu to breach his contract with Nanofilms.

***Significance***

The rejection by the Court of the attempt to use copyright as a vehicle to prevent misappropriation highlights the well-established principle: copyright protects only expressions, not ideas. This judgment seems to suggest that this principle will continue to remain entrenched in Singapore law.

JAPAN

John A Tessensohn<sup>1</sup>

Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan  
Correspondent for Japan

**Japan Expands Novelty Grace Period to 12 months**

In a pro-patentee development, the six-month grace period against an inventor/applicant's own novelty-destroying disclosure has been extended to 12 months. This new extended grace period came into legal effect on 9 June 2018. Under the new law, in order for the patent applicant to enjoy the benefit of the new extended 12-month grace period:

- (1) the filing date should be on or after 9 June 2018; and
- (2) the novelty-destroying event should be on or after 9 December 2017.

The 12-month grace period has also been extended for registered designs and utility model applications as of 9 June 2018, and the provisions are applicable *mutatis mutandis*. However, this amendment does not apply to inventions/designs that were disclosed on or before 8 December 2017. Inventions/designs disclosed on or before 8 December 2017 have a six-month grace period.

In practice such public, non-confidential, novelty-destroying disclosures by the inventor include:

- a presentation to potential investors for the purpose of funding or investment;
- an oral presentation at a study session of an R&D consortium;

- marketing and advertising;
- disclosure at a meeting, seminar or lecture;
- disclosure on television, radio, internet and any other media or format.

The grace period patent application can be filed in only one of the two following ways:

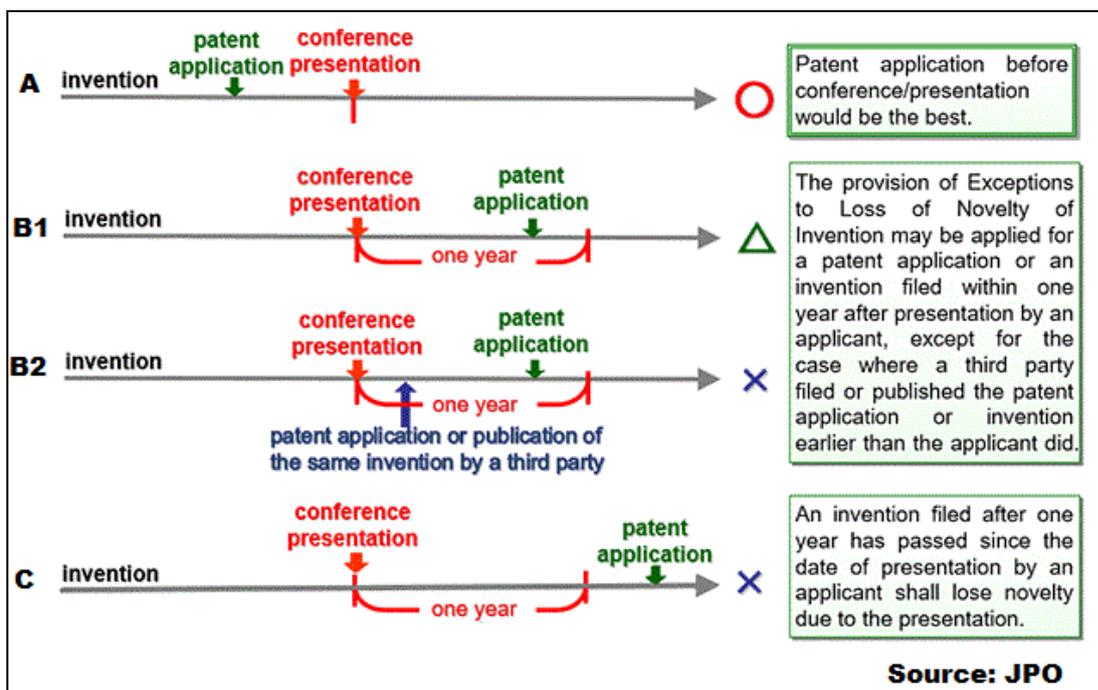
- (1) filing an International PCT patent application designating Japan; or
- (2) filing a patent application directly with the Japanese Patent Office.

The applicant cannot file a priority Australian or United States patent application within the 12-month grace period, then file a PCT application designating Japan within 12 months of the priority application's filing date.

The extended grace period is a helpful development that will ensure that inventors' patent rights that are lost by a pre-filing novelty-destroying disclosure can be salvaged by effectively using the extended 12-month grace period. Nevertheless it is always the best practice to ensure that patent applicants prepare and file any patent application *prior* to any public disclosure or commercial use of the invention. Fortunately if the applicant is not able to file the patent application prior to its own public disclosure, it is able to salvage Japanese patent rights by filing a patent application within 12 months from the novelty destroying disclosure date.

**Grace Period Scenarios**

The following scenarios will illustrate the operation of the 12-month grace period patent application system.



### ***Scenario A***

Scenario A depicts the straightforward best practice of filing a patent application with the JPO prior the conference presentation. In such a scenario, the novelty of the patent application is preserved and the conference presentation does not constitute novelty destroying prior art since it was published after the patent application JPO filing date. There is no need to file a grace period claim or application.

### ***Scenario B1 & B2***

Scenario B1 describes a situation in which the applicant has made a pre-filing conference presentation of the contents of a patent application. However the applicant files a grace period patent application with the JPO within the statutory 12-month grace period and the novelty of the patent application is preserved and the applicant's own pre-filing conference presentation does not constitute as novelty-destroying prior art.

However, Scenario B2 describes a third party who files their patent application or publishes the contents of the patent application before the applicant files their patent application. Even though the applicant can enjoy the grace period against their own conference presentation, the grace period does not operate against a third party's own disclosure or patent application. Accordingly the patentability of the grace period application could be jeopardised in view of the third party's earlier filed patent application and/or publication. Japan has a first to file system and the applicant should always consider to file the patent application as fast as possible.

### ***Scenario C***

Scenario C describes the unfortunate situation where the applicant files the patent application with the JPO more than one year after the date of their pre-filing conference presentation. In such a scenario, the novelty of the patent application is destroyed and the conference presentation does constitute novelty destroying prior art since it was published more than 12 months after the patent application JPO filing date. The grace period application was not filed in a timely fashion within 12 months from the date of the applicant's pre-filing novelty-destroying conference presentation.

### ***Conclusion***

In summary, the extended grace period is a helpful development that will ensure that inventors' patent rights that are lost by a pre-filing novelty-destroying disclosure can be salvaged by effectively using the extended 12-month grace period in Japan. Nevertheless it is always better to ensure that patent applicants prepare and file any patent application prior to any public disclosure or commercial use of the invention. The orderly pre-disclosure patent review and patent application preparation and filing will also avoid the additional time, cost, stress and grief in the search and execution of an urgent grace period remedy against the patent perishing situation that was caused by a pre-filing invention disclosure.

<sup>1</sup> Any questions about this article should be e-mailed to John A Tessensohn at [jtessensohn@shupat.gr.jp](mailto:jtessensohn@shupat.gr.jp). This article reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.

# Current Developments – Europe

## EUROPEAN UNION

**Dr Faye Fangfei Wang**

Senior Lecturer in Law, Brunel University, London  
Correspondent for the European Union

### ***CJEU Judgment on Europe-wide Kit Kat Four-Fingered Chocolate Bar Shape Mark***

#### ***Background***

The particular shape of a chocolate bar may have a distinctive character by which consumers may recognise the company even without any trade names or symbols embossed. Such distinctive product shapes may be protected by trade mark registration in most countries or by passing off in common law countries. Iconic product shape marks include the triangular Toblerone chocolate bar and the Coca-Cola bottle.

Nestlé also registered a three-dimensional mark representing the shape of a four-fingered chocolate bar (known as “Kit Kat Four-Fingered Chocolate Bar”) as an EU trade mark with EUIPO (“European Union Intellectual Property Office”) in 2006, and also applied for trade mark registration in various countries, for instance Germany, France, Australia, South Africa and Canada.<sup>1</sup> However, registration was unsuccessful in some countries such as the UK.<sup>2</sup> The UK Court of Appeal dismissed Nestlé’s application, on the grounds that the shape of the KIT KAT bar had not been used to promote or market KIT KATs in recent times and that such shape had not acquired distinctive character through commercial use.<sup>3</sup>



Since 2007 the Kit Kat shape mark has been challenged by its competitor Cadbury Schweppes PLC (subsequently Cadbury Holdings, now Mondelez). In 2012, EUIPO rejected Mondelez’s opposition to the Kit Kat shape mark on the ground that Nestlé’s mark had acquired distinctive character through use in the EU.<sup>4</sup> In 2016, the General Court overturned EUIPO’s decision.<sup>5</sup> On 25 July 2018 the European Court of Justice (“CJEU”) handed down the judgment, upholding the General Court’s decision that

the KitKat four-fingered chocolate bar was not distinctive enough to gain EU trademark protection.<sup>6</sup>

#### ***The Debate of Determining “Distinctive Character acquired through Use”***

One of the focal points of the case is about the determination and assessment criterion for the purpose of providing the “distinctive character of a mark acquired through its use throughout the European Union” for EU-wide trade mark registration.

The General Court took the view that the Board of Appeal at EUIPO was incorrect to conclude that “it was sufficient to show that a substantial proportion of the relevant public in the European Union, merging all the Member States and regions, perceived a mark as an indication of the commercial origin of the goods designated by that mark and that it was not necessary to prove the distinctive character acquired through its use in each of the Member States concerned.”<sup>7</sup>

The General Court affirmed the examination result by the Board of Appeal at EUIPO that the distinctiveness of the mark through its use in Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Finland, Sweden and the United Kingdom was established.<sup>8</sup> However, it further observed that no explicit answer was given by EUIPO as to whether such acquisition was also established in Belgium, Ireland, Greece and Portugal.<sup>9</sup>

Nestlé and EUIPO disagreed with the General Court’s decision, pointing out that it was “incompatible with the unitary character of the EU trade mark and the very existence of a single market” by assessing individual national markets.<sup>10</sup> Mondelez, on the contrary, agreed with the General Court’s interpretation, indicating that “it is not sufficient for an EU trade mark to be distinctive in a substantial part of the European Union if it is not distinctive in another part of the European Union, even if that part consists of only one Member State.”<sup>11</sup>

#### ***CJEU Interpretation***

The CJEU acknowledged the unitary character of an EU-wide trade mark in the light of the *Community Trade Mark Regulation (No. 207/2009)*. It further interpreted the concept of the “unitary character” that a mark must not be registered if it is lack of distinctive character in part of the European Union (which may be comprised, where necessary, of a single Member State<sup>12</sup>) according to Articles 7(1)(b) and 7(2) of the Regulation.<sup>13</sup>

In order for registration, a sign must have distinctive character, inherent or acquired through use, throughout

the European Union in the light of Article 7(3) of the Regulation,<sup>14</sup> and relevant evidence needs to be provided for those marks acquiring distinctive character through use in the part of the European Union<sup>15</sup> and to prove that it has acquired distinctive character through use throughout the territory of the European Union<sup>16</sup> but not just a significant part of the European Union.<sup>17</sup>

Accordingly, the CJEU pointed out the distinction between two elements of evidence when determining the distinctiveness of a shape mark acquired through use as follows:

- (a) the facts to be proved, namely the acquisition of distinctive character through use by a sign that is devoid of inherent distinctive character;
- (b) the means of proving such facts.<sup>18</sup>

In terms of the assessment of evidence, the CJEU further clarified that “the evidence submitted must be capable of establishing such acquisition throughout the Member States of the European Union.”<sup>19</sup> The EUIPO is primarily responsible for the assessment of evidence, subject to the scrutiny of the General Court.<sup>20</sup>

### Comment

It appears that Kit Kat lost its case due to insufficient evidence showing that its four-fingered chocolate bar had acquired distinctive character through use throughout the European Union, even though the evidence submitted covered a substantial part of the European Union. While the CJEU was helpful to provide an interpretation of the unitary character of an EU-wide trade mark as required in the Regulation, it did not clarify the methodology of weighing the evidence submitted.

In the *Kit Kat* case, the CJEU only briefly acknowledged that:

*for certain goods or services, the economic operators have grouped several Member States together in the same distribution network and have treated those Member States, especially for marketing strategy purposes, as if they were one and the same national market. In such circumstances, the evidence for the use of a sign within such a cross-border market is likely to be relevant for all Member States concerned.*<sup>21</sup>

It also pointed out that due to a geographic, cultural or linguistic proximity between two Member States, the relevant public of one of the Member States may have a sufficient knowledge of the products and services that are present on the national market of the other Member State.<sup>22</sup> It is not clear as to how courts have applied the above criteria on the evidence submitted by Kit Kat.

It appears that evidence of distinctiveness must be provided

for all member states, but that it is acceptable for an economic operator to group markets together in their evidence, provided that all member states are covered. It was not explained why Nestlé had not provided evidence of distinctiveness in Belgium, Ireland, Greece and Portugal, either individually or as part of a group of evidence. It would be helpful to have a clear set of requirements for evidence establishing the factual distinctiveness of shape marks in the European Union.

Fiona Phillips

### *Christian Louboutin SAS v Van Haren Schoenen BV* (Case C-163/16)

Christian Louboutin is a French shoe designer. Louboutin shoes are characterised by their high prices and red soles. According to legend, the red sole began when Louboutin painted the sole of a plain court shoe with red nail polish. By the mid-2000s, the red sole had become so synonymous with the Louboutin brand that it applied to register it as a trade mark around the world, including in Australia, the United States of America and the European Union.

Readers will recall the dispute between Louboutin and Yves Saint Laurent which played out in the American courts. To recap, Yves Saint Laurent released an all-red shoe as part of its 2011 collection. Louboutin sued Yves Saint Laurent for infringement of its red sole trade mark. That dispute raised whether or not Louboutin’s red sole was distinctive or merely functional. On appeal, the Second Circuit Court of Appeals held that the red sole had become distinctive of the Louboutin brand, at least in situations where the sole contrasted with the colour of the shoe’s upper.<sup>23</sup> This meant that the Louboutin mark was valid (when applied to contrasting coloured shoes) but that it could not prevent Yves Saint Laurent or other traders from selling red shoes with red soles.

The latest decision of the Court of Justice of the European Union (“CJEU”) arose in the context of a dispute between Louboutin and Van Harem, a Dutch shoe retailer who sold (non-Louboutin) red-soled shoes. After a first instance judgment in Louboutin’s favour, Van Harem challenged the validity of Louboutin’s trade mark, under Article 3(1)(e)(iii) of the *Trade Marks Directive* (2008/95/EC), which prevents registration of any sign which consists “exclusively of ... the shape which gives substantial value to the goods”.

The Hague District Court referred the matter to the CJEU for a preliminary ruling on the following question:

*Is the notion of “shape”, within the meaning of Article 3(1)(e)(iii) of [Directive 2008/95], limited to the three-dimensional properties of the goods, such as their contours, measurements and volume (expressed three-dimensionally), or does it include other (non-three-dimensional) properties of the goods, such as their colour?*<sup>24</sup>

The Advocate General issued two opinions in the matter. In his first Opinion of June 2017<sup>25</sup> he stated at [41]:

*I consider that it is necessary, in examining the essential characteristics of the contested mark, to take into account the colour as well as the other aspects of the goods in question. The mark should therefore be equated with one consisting of the shape of the goods and seeking protection for a colour in relation to that shape, rather than one consisting of a colour per se.*

He went on to conclude at [73]:

*Article 3(1)(e)(iii) of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks is to be interpreted as being capable of applying to a sign consisting of the shape of a product and seeking protection for a certain colour. The concept of a shape which ‘gives substantial value’ to the goods, within the meaning of that provision, relates only to the intrinsic value of the shape, and does not permit the reputation of the mark or its proprietor to be taken into account.*

The CJEU considered that the case raised questions of principle involving EU trade mark law reassigned the case to the Grand Chamber (made up of 13 judges). As a result, there was a new hearing and the Advocate General issued another opinion in February 2018 in which he reaffirmed the findings from his earlier opinion.<sup>26</sup>

The Court’s decision was published in June 2018.<sup>27</sup> Controversially, it rejected the Advocate General’s opinions. In doing so, the Court noted at [25]:

*while it is true that the shape of the product or of a part of the product plays a role in creating an outline for the colour, it cannot, however, be held that a sign consists of that shape in the case where the registration of the mark did not seek to protect that shape but sought solely to protect the application of a colour to a specific part of that product.*

It went on to hold at [26-7]:

*a sign, such as that at issue in the main proceedings, cannot be regarded as consisting ‘exclusively’ of a shape, where, as in the present instance, the main element of that sign is a specific colour designated by an internationally recognised identification code.*

*The answer to the question referred is that Article 3(1)(e)(iii) of Directive 2008/95 must be interpreted as meaning that a sign consisting of a colour applied to the sole of a high-heeled shoe, such as that at issue in the main proceedings, does not consist exclusively of a ‘shape’, within the meaning of that provision.*

### **Comment**

The decision confirms that a colour, applied to a product, or a particular part of a product, can function as a trade mark under EU law. Whether it does function as a trade mark will depend whether the applicant can establish distinctiveness. Having prosecuted its red sole mark around the world, Louboutin is now able to marshal significant evidence of factual distinctiveness.

As the owner of a number of pairs of Louboutin shoes, I have doubts about the red sole trade mark. My concern is not philosophical, but practical: when you walk in Louboutin shoes (which is not always easy to do) the colour wears off the soles. Does that mean that walking in Louboutin shoes amounts to trade mark dilution?

### FRANCE

**Thomas Bouvet and Hatziri Minaudier**

JONES DAY

Correspondents for France

#### ***France enacts Trade Secrets Protection***

*The Directive (EU) No. 2016/943 of the European Parliament and of the Council of June 8 2016 on the Protection of Undisclosed Know-how and Business Information (trade secrets) against their Unlawful Acquisition, Use and Disclosure* (the “Directive”) was implemented into French law by the *Trade Secret Protection Act* of 30 July, 2018 (France) (the “Trade Secrets Act”).

Although France already protected trade secrets with a body of case law based on civil liability (tort and contract liability), labour and criminal law, the new Trade Secrets Act will strengthen trade secret protection in France.

The main contributions of the Trade Secrets Act to French law relates to the definition of trade secrets, the list of legal and illegal acquisition, use and disclosure of trade secrets, a list of remedies (injunctions or indemnities) that may be awarded by a judge and the protection of trade secrets during civil proceedings.

The French Trade Secrets Act results from the approval of the *Trade Secrets Bill* by the French National Assembly, on 14 June, 2018, and the decision of the Conseil Constitutionnel (the French Constitutional Court) of 26 July holding that the provisions challenged by 60 senators and 60 members of the National Assembly were in line with the French Constitution. The provisions of the Trade Secret Act are included as new articles in the *French Commercial Code* (hereafter “FCC”).

The Trade Secrets Act does not lead to a major change of the current applicable protection, but because the conditions and the scope for protection and new rules for litigation are now included into the FCC, it provides more security in their effective enforcement.

#### ***Protected trade secret and legitimate holder***

The Trade Secrets Act<sup>28</sup> defines “trade secret” as:

*any information that* “(i) is not, itself or in the precise configuration and assembly of its components, generally known among or readily accessible to persons who are familiar with such information due to their sector of activity, (ii) has a potential or actual commercial value because it is secret and (iii) with regard to the circumstances, has been subject to reasonable protection measures, by its legitimate holder, to keep it secret.”<sup>29</sup>

Whilst the definition of the “trade secret” in the Trade Secrets Act differs slightly from the vocabulary used by the Directive, it remains consistent with the Directive’s

provisions which themselves were close to the provisions of the *TRIPS Agreement*.<sup>30</sup>

Although the meaning of a “trade secret” was laid down in the Trade Secrets Act, the criteria set to identify a “trade secret” leave room for interpretation by the courts. Judges will notably have to assess:

- what is a “precise configuration and assembly of [the] components” of an information;
- when is a piece of information or a “precise configuration and assembly” deemed to be “generally known” or is “readily accessible”; and
- what will be considered as “reasonable measures”.

These terms may lead to a number of different interpretations.

The Trade Secrets Act defines the “legitimate holder” as the “person that lawfully controls the trade secret”<sup>31</sup>. As a result, the determination of the “legitimate holder” depends on the circumstances of development of a trade secret or in the manner in which it was obtained. The “legitimate holder” is not necessarily the person which obtained or developed the trade secret. It may be the employer or the contractual partner of the person which developed the trade secret. Companies must thus audit the contractual provisions with their employees and partners to ensure that they are the legitimate holder of trade secrets to be developed. French labor law provisions or provisions of the Intellectual Property Code may interfere in this respect so that a legal advice may be needed.

#### ***Scope of protection***

The Trade Secrets Act indicates clearly the circumstances in which the acquisition, use or disclosure of the trade secret is legal, those in which they are illegal. Finally, the Act indicates circumstances in which the acquisition may have been illegal but in which trade secret protection is excluded.

#### ***Legal acquisition***

The Trade Secrets Act provides that a lawful acquisition results (i) from an “independent discovery or creation” and (ii) unless the acquisition of the trade secret is prohibited or limited by way of contract, from the observation, study, disassembly or testing of a product that has been made available to the public or that is lawfully in possession of the acquirer of the information.

#### ***Illegal acquisition, use and disclosure***

The Trade Secrets Act provides that acquisition of a trade secret is illegal where it has taken place without the consent of the legitimate holder and results from an unauthorised access to a document, object, material, substance, digital file that contains the secret or from which it can be inferred, from an appropriation or unauthorised copy of these elements. It is also illegal when it results from any other behaviour

considered as unfair and contrary to commercial practice, having regard to the circumstances.

The use or disclosure of a trade secret are unlawful where, without the legitimate holder's consent, they are carried out by a person that (i) obtained the trade secret as a result of an unauthorised access or an unfair and contrary to the commercial practices behaviour or (ii) is in breach of an obligation in terms of non-disclosure or limited use. Moreover, the production, offering or placing on the market, the importation, exportation or the storage for those purposes of any infringing product are illegal where the person carrying out such activities knew or ought, under the circumstances, to have known that the trade secret was used illegally.

The same applies to the acquisition, use or disclosure of a trade secret where, at the time of its acquisition, use or disclosure, the person carrying out such activities knew or ought, under the circumstances, to have known that the trade secret had been obtained, directly or indirectly, from another person who was illegally using it or disclosing it.

### ***Exception to trade secret protection***

The Trade Secrets Act (like the Directive) provide for a number of exceptions, in which the protection does not apply. They are needed to avoid that trade secret protection be used to prevent legitimate activities.

First, the Trade Secrets Act provides that the protection does not apply where the acquisition, the use or the disclosure is required or authorized by the European Union law, the treaties or international agreements in force or by the national law for the purposes of the performance of the judicial or administrative authorities' duties in terms of investigation, control, authorization or sanction.

Also, within the frame of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, the protection under the Trade Secrets Act does not apply where the use or disclosure of the trade secret was carried out for the purposes of exercising the right to freedom of expression and communication, including freedom of the media, and the right to freedom of information as provided by the *Charter of Fundamental Rights of The European Union*. Furthermore, trade secrets protection does not apply if, for the purpose of protecting the general public interest, a trade secret was used or disclosed in order to reveal an illegal activity, wrongdoing or a misconduct, or was used or disclosed under the whistleblower's legal protection.<sup>32</sup> The same applies where the trade secret was used or disclosed for the purpose of protecting a legitimate interest recognised by the European Union or the national law.

Similarly, within the frame of legal proceedings relating to the unlawful acquisition, use or disclosure of a trade secret, the trade secrets protection does not apply where the trade

secret (i) acquisition results from the exercise of the rights of employees and their representatives to information and consultation, (ii) disclosure by employees to their representatives was carried out as part of the legitimate exercise by those representatives of their functions, provided that such disclosure was necessary thereof. However, in these two particular situations, the information acquired or disclosed remains protected under the Trade Secrets Act against any person other than the employees and their representative who has access to it.

### ***Remedies in case of violation of trade secrets***

The Trade Secrets Act provides a number of measures to prevent or stop an infringement of trade secrets and, where applicable, to award damages. The Trade Secrets Act also sets new measures to ensure the secrecy of trade secrets during court proceedings.

#### *Measures to prevent or stop an infringement of trade secrets*

Without prejudice of the damages that may be awarded to the injured party, the Trade Secrets Act provides that courts may order any measure necessary to prevent or stop an infringement of trade secrets or, in some circumstances, order the infringing party to pay an indemnity to the injured party.

According to the Trade Secrets Act, judges have large powers to prevent or stop an infringement such as (i) prohibit the use or disclosure of trade secrets, (ii) prohibit the manufacture, offer, use or placing on the market of infringing goods, importation, exportation or storage of such goods, and (iii) order the total or partial destruction or return of any support containing the trade secrets.

The judges also have the power to order the recall of infringing goods, their withdrawal, their modification so as to remove the trade secrets infringement, their destruction or their confiscation to the benefit of the injured party.

As an alternative to an injunction, the judges may order that the infringing party pays an indemnity to the injured party where the three following conditions are met: (i) the infringing party was not in a position to know, at the time of the use or of the disclosure of a trade secret, that the trade secrets have been unlawfully obtained, (ii) a disproportionate damage may result from the implementation of any of the measures that the judge may order and (iii) the amount of the indemnity to be paid to injured party is reasonably satisfactory.

In addition to the above-mentioned measures or indemnity, the injured party may also seek damages.

#### *Damages available*

Under the Trade Secrets Act, the criteria set to assess the damages that will be awarded to the injured party are now the same than those used to assess the damages resulting

from an infringement of intellectual property rights.

The injured party is thus entitled to obtain compensation for the damage it suffered. To assess the damages to be paid, the judge must separately consider the negative economic consequences (including lost profits), the moral prejudice incurred by the injured party and the profits of the infringing party. Alternatively and upon request of the injured party, the judge may grant a lump sum (that takes into account the amount of royalties which would have been due by the infringer if it had requested the authorisation to use the trade secret) to the injured party.

### *Measures to ensure the secrecy of trade secrets*

A major contribution of the Trade Secrets Act to the previous legal framework are the measures available to protect trade secrets during any court proceedings.<sup>33</sup>

The Trade Secrets Act empowers judges to control and limit, during any court proceedings, the access to information where a party or a third-party claims that the disclosure of such information is likely to infringe or violate a trade secret.

The set of measures available to judges include the power to limit access to some parts of a piece of evidence or to some individuals, to order the disclosure of a piece of evidence in the form of a summary, to decide whether the hearings and the judgment will take place in camera (closed session), to adapt the drafting of the judgment's reasoning so as to ensure the secrecy and take specific measures for the publication of the judgement in order to protect the trade secret.

### **Comment**

The implementation of the Trade Secrets Directive into French law will strengthen trade secret protection. It is a good time for companies doing business in Europe to audit the measures they implement in order to ensure the protection of confidential information and seek protection under the new legal framework.

1 BBC News: *Nestle fails to trademark four-fingered KitKat shape*, 17 May 2017, available at <<https://www.bbc.co.uk/news/business-39948718>> (last accessed 1 August 2018).

2 *Société des Produits Nestlé SA v Cadbury UK Ltd*, [2017] EWCA Civ 358.

3 *Société des Produits Nestlé SA v Cadbury UK Ltd*, [2017] EWCA Civ 358, para.124.

4 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, 25 July 2018, Press Release No 116/18.

5 Case T-112/13, *Mondelez UK Holdings & Services v EUIPO*, Judgment of the General Court (Fifth Chamber), 15 December 2016.

6 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018.

7 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 14; and Case T-112/13, *Mondelez UK Holdings & Services v EUIPO*, Judgment of the General Court (Fifth Chamber), 15 December 2016, para. 143.

8 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 13 and 16; and Case T-112/13, *Mondelez UK Holdings & Services v EUIPO*, Judgment of the General Court (Fifth Chamber), 15 December 2016, para. 107.

9 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 17; and Case T-112/13, *Mondelez UK Holdings & Services v EUIPO*, Judgment of the General Court (Fifth Chamber), 15 December 2016, para. 173.

10 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 63.

11 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 64.

12 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 75.

13 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 66 and 67.

14 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 68.

15 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 75.

16 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 76; and see also Case C-98/11 P, *Chocoladefabriken Lindt & Sprüngli v OHIM*, 24 May 2012, para 61 and 63.

17 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 78.

18 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 79.

19 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 83.

20 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 84 and 85.

21 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 81.

22 Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, *Société des produits Nestlé SA v Mondelez and EUIPO*, Judgment of the Court (Third Chamber), 25 July 2018, para. 82.

23 *Louboutin SA v Yves Saint Laurent Am Holding, In, No. 11-3303* (2d Cir 2013).

24 *Christian Louboutin SAS v Van Haren Schoenen BV* (Case C-163/16) Judgment ECLI:EU:C:2018:423.

25 Opinion ECLI:EU:C:2017:495.

26 Opinion ECLI:EU:C:2017:495.

27 *Christian Louboutin SAS v Van Haren Schoenen BV* (Case C-163/16) Judgment ECLI:EU:C:2018:423.

28 Articles L. 151-1 and L. 151-2 of the FCC.

29 Whereas, Article 2 (1) of the Directive refers to the knowledge by “persons within the circles that normally deal with the kind of information in question”, does not specify that the commercial value may be “potential or actual” and only refers to “reasonable steps” to keep such information secret.

30 *Agreement On Trade-Related Aspects Of Intellectual Property Rights*, opened for signature 15 April 1994 (entry into force 1 January 1995).

31 Whereas, Article 2 (2) of the Directive does not use the term “legitimate” and only refers to the “trade secret holder”.

32 *Law No. 2016-1691* of 9 December 2016 deals with anti-corruption and transparency and sets out the French legal framework for whistleblowing.

33 Article L. 153-1 of the FCC.

# Current Developments – North America

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## CANADA

### Catherine Dennis Brooks

Partner, Miller Thomson LLP  
Correspondent for Canada

#### ***Canada's Trade marks Act Amendments to be Proclaimed in Force in 2019***

Canada's long-awaited trade mark regime changes are expected to be proclaimed in force in 2019. The amendments to the Canadian *Trade-marks Act* 1985 were passed in June 2014 and are, both in substance and in procedures, the most significant since 1954.

The amendments were designed to enable ratification and implementation of international treaties relating to trade marks, particularly the *Singapore Treaty on the Law of Trademarks 1994*, the *Madrid Protocol* and the *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks 1979*. The amendments are also aimed at modernising and harmonising Canadian trade mark law and practice with that of other jurisdictions around the world.

The long, slow process leading to the implementation of Canada's new trade mark regime has led to some positive developments that address the most highly criticised aspect of the amended legislation – the elimination of the requirement that a trade mark be used, in Canada or elsewhere, in order to obtain registration of a mark in Canada.

Use has been a key component of the Canadian trade mark system since the trade mark legislation was first enacted in 1868. When the amendments to the *Trade-marks Act* were passed, there was widespread concern that with there no longer being a requirement to state a date of first use in an application or, in the case of proposed use applications, to file a declaration of use prior to registration, the registration process, although quicker and easier, would be fraught with uncertainty and higher costs for trade mark applicants. This is because the change would make it more difficult to determine when trade mark owners started using a mark in Canada and therefore more difficult to assess which party has prior rights in a mark.

With first use date information no longer available on the Trade-marks Register for applications filed after the new legislation comes into force, trade mark owners will have to arrange for investigations regarding trade mark use in Canada in order to assess the availability of a mark in Canada, or to assess the chance of success in opposition or infringement proceedings. The elimination of the use requirement could also lead to a deluge of filings by trade mark squatters hoping

for financial gain as a result of the newly lax rules relating to registration.

This concern about greater investigation costs and speculative filings by trade mark squatters have been addressed by the National Intellectual Property Strategy announced by the Federal Government in April of this year.<sup>1</sup> The Intellectual Property Strategy is designed to improve awareness of intellectual property by Canadian businesses. It aims to encourage creators, entrepreneurs and innovators to participate more actively in the intellectual property system and to actively protect intellectual property through registration in Canada and abroad. It involves a number of initiatives and CA\$85 million in funding.

The announcement of the Intellectual Property Strategy included several proposals for legislative reform, including further amendments to the *Trade-marks Act*. Of note, first, the government has promised to establish new opposition and invalidation grounds to deal with trade mark squatting. Second, the government has proposed that proof of use of a trade mark be required in order to enforce rights in a trade mark within the first three years after registration.

The announcement of these further changes is welcome as they address two significant concerns identified by trade mark owners, practitioners and academics regarding the 2014 amendments to be implemented in 2019. These were the removal of use as a requirement of registration and the confirmation that use is required to enforce a registration within the first three years of registration.

Some of the key changes of note that trade mark owners should be aware of and may want to include in their current and ongoing intellectual property protection strategy in Canada include the following:

#### ***Filing and Prosecution Process and Requirements***

Applications will not have to include dates of first use and the filing of a declaration of use will not be required for a mark to proceed to registration or for renewal of a registration.

New applications will have to comply with the Nice classification system which classifies all goods and services included in an application. Currently this can be done voluntarily. Existing registrations will have to be amended to include classified goods and services descriptions that comply with the *Nice Agreement* within six months from receipt of a CIPO notice and as part of the renewal process.

Third party correspondence relating to the registrability of a mark will be permitted during the prosecution of an application. This will enable third parties to correspond

directly with the Trade-marks Examiner for the purpose of raising a registrability issue, similar to the Letter of Protest procedure in the USPTO.

It will be possible to divide and merge trade mark applications and registrations (for example, in order to push approved goods and services into publication phase, while maintaining disputed goods and services in active prosecution).

### **Registration Term and Renewals**

The new term of registration will be 10 years for registrations issued after the coming into force date of the amended *Trade-marks Act* and renewal requests will only be accepted within the six months prior to the renewal deadline or the six months after the renewal deadline. The term for registrations in existence before the coming into force date will remain at 15 years and will not be converted to a 10-year term until the next renewal deadline.

### **Fees**

The trade mark application filing fee will be CA\$330 for the first class, plus CA\$100 for each additional class of goods/services. This is an increase from the current fee of CA\$250 for all goods and services, regardless of the number of classes.

The CA\$200 registration fee will be eliminated.

The renewal fee will be CA\$400 for the first class, plus CA\$125 for each additional class of goods/services. This is an increase from the current fee of CA\$350 for all goods and services, regardless of the number of classes.

### **International Applications**

The amended regulations will allow foreign trade mark applicants to include Canada in their international applications filed pursuant to the Madrid Protocol. Canadians will also be able to secure international registration of a trade mark through a single Madrid Protocol application.

In light of these changes, we recommend that trade mark owners:

1. Review their Canadian trade mark portfolio and adopt an aggressive filing strategy to protect any marks that are not yet registered.

This approach will take advantage of the fact that currently there is greater certainty with respect to the availability of marks for use and registration in Canada and there is only one fee regardless of the number of goods and/or services covered by the application.

2. As the changes are expected to result in the filing of more Canadian trade mark applications, it will be more important than ever to monitor new filings through a trade mark watch service subscription in order to identify potentially infringing marks.
3. Renew Canadian registrations early to take advantage of the current 15-year renewal term.

## UNITED STATES OF AMERICA

**Scott W Cummings, Kevin Greenleaf, Mark L Hogge, Cass W Christenson, Nicholas Jackson, Eric L Sophir, Kamyar Maserrat, Roman Tsibulevskiy**  
Dentons

Correspondents for the United States of America

### ***Supreme Court rules inter partes reviews are constitutional and expands scope of their review***

The United States Supreme Court, in *Oil States Energy Services, LLC v Green's Energy Group, LLC*,<sup>2</sup> upheld the constitutionality of *inter partes* reviews ("IPRs") under the *America Invents Act* 2011 ("AIA"). On the same day, in *SAS Institute Inc. v Iancu*,<sup>3</sup> a case that will have far-reaching effects, the Court held that the AIA requires the Patent Trial and Appeal Board to institute on all challenged claims or none – striking down the practice of "partial institution", in which the Board reviews some claims and not others.

The *Oil States* opinion was a 7–2 victory for the Patent Office, albeit short of the 9–0 win boldly predicted by Joseph Matal, interim director of the USPTO.<sup>4</sup> The decision was not surprising, but interestingly found patents to be public rights because they are a "creature of statute."<sup>5</sup> The Court distinguished prior cases characterising patents as "personal property" on the basis that those cases interpreted the superseded *Patent Act* of 1870.<sup>6</sup> Notably, the Court stated that its decision was narrow and left open issues that could strengthen patents, e.g., whether the Patent Office can assess infringement, whether the Patent Office can review patents having priority before the AIA, whether IPRs give sufficient due process, whether patents are property under the due process and takings clauses, and whether decisions must be appealable to Article III courts. Finally, the Court found no distinction between the constitutionality of IPR and the right to a jury trial, and therefore found juries to be unnecessary in determining unpatentability.

Justice Neil Gorsuch met expectations by siding against the executive branch in both cases, authoring the majority opinion in *SAS* and the lone dissenting opinion in *Oil States*, where he passionately argued that the Constitution promises "independent judges", and prevents "intrusions by the other branches" on the authority of the judiciary.<sup>7</sup> He argued that while side-stepping constitutional procedures may be expedient, the costs outweigh the benefits.<sup>8</sup>

Forced to accept the constitutionality of IPRs, Justice Gorsuch partially won by cutting back on executive authority in his 5–4 decision in *SAS*. The majority found that the AIA made clear that, once instituted, the Board must issue final written decisions on "any patent claim challenged by the petitioner" in the petition.<sup>9</sup> The majority held that because there was no ambiguity in the underlying statute, the agency deserved no deference. Gorsuch, a skeptic of agency deference, addressed the petitioner's invitation to "embrace the 'impressive body' of pre-*Chevron* law," but saved that question for "another

day”, perhaps foreshadowing his desire for the right case to weaken *Chevron* deference further.<sup>10</sup>

The dissent in *SAS* would have upheld the partial-institution practice, arguing that the statute was ambiguous. The statute could be read as requiring a final written decision on “any claim challenged by the petitioner” *in the petition or during the IPR* (emphasis added). In addition, there are reasonable policy motives supporting either interpretation. Therefore, the Court should defer to the Patent Office under the *Chevron* precedent.

While *Oil States* sticks to the status quo, *SAS* has significant strategy implications. Patent Office trials will be more expensive because the parties will argue all challenged claims when at least one claim is likely unpatentable. If instituted, petitioners will face estoppel as to all challenged claims rather than just the instituted claims. Petitioners must be even more careful about making sure all challenges will withstand relatively stricter Board scrutiny. Petitioners will now be able to buttress weaker challenges that the Board previously would have simply denied.

Finally, courts will be more likely to issue stays when all claims are undergoing review by the Patent Office, rather than just a subset of claims.

We must now wait and see how the Board responds to the *SAS* decision. Will it backload cases and do a marginal job at institution (i.e., find only one claim likely unpatentable)? How will it handle pending and remanded cases? How will the Federal Circuit handle cases on appeal?

### ***Supreme Court rules that foreign lost profits are recoverable under 35 U.S.C. §271(f)(2)***

On 22 June 2018, the United States Supreme Court expanded the extraterritorial reach of patent damages with its decision in *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011, ruling that a patentee can recover profits from lost foreign sales due to domestic patent infringement under 35 U.S.C. §271(f)(2).

#### *Background*

UK-based geophysical services company WesternGeco is the owner of four patents claiming inventions used in surveying the ocean floor to identify promising locations to drill for oil and gas. Ships tow streamers that bounce sound waves off the bottom of the ocean floor to map the floor and locate the resources. The patented improvements relate to steering technology that controls the lateral motion of the streamers to reduce drift, which, in turn, reduces the risk of tangling and minimises distortions in the map. WesternGeco sued ION in the U.S. District Court for the Southern District of Texas for infringement under 35 U.S.C. §§271(f)(1) and (f)(2), which respectively prohibit (i) supplying all or a substantial portion of the components of a patented invention “in or from the United States” in a manner that

induces another to combine the components abroad in a manner that would infringe in the US, and (ii) supplying “in or from the United States” a component of a patented invention that is specially made for, or adapted for use in, an invention and is not suitable for a substantial non-infringing use, intending the component to be combined outside the US in a manner that would infringe if combined within the US. WesternGeco alleged that it lost 10 specific survey contracts as a result of ION’s infringement.

After trial, the jury found that ION infringed under both sections 271(f)(1) and (f)(2), and awarded WesternGeco both a reasonable royalty (US\$12.5 million) and lost profits (US\$93.4 million) based on foreign sales of the infringing products. ION appealed both the jury’s finding of legal liability and the damages award. The Federal Circuit, in a 2-1 decision, affirmed the infringement finding under section 271(f)(2) but reversed the award of lost profits based on the foreign sales. In reaching this conclusion, the Federal Circuit quoted *Power Integrations, Inc. v Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013), which stated that US patents “do not thereby provide compensation for a defendant’s foreign exploitation of a patented invention, which is not infringement at all”.<sup>11</sup> WesternGeco appealed to the Supreme Court.

#### *Decision*

In a 7-2 decision, Justice Clarence Thomas, writing for the majority, explained that a “damages award for lost profits was a permissible domestic application of [35 U.S.C.] §284,” even if the lost profits concern foreign sales, because the “focus” of section 271(f)(2) is on the “act of exporting components from the United States.”<sup>12</sup> The Court reasoned that the “overriding purpose” of the statutory provision for damages “is to ‘affor[d] patent owners complete compensation’ for infringement.”<sup>13</sup> Further, the relevant conduct (i.e., the infringement) is the domestic act of supplying and exporting the infringing components from the United States. The damages under section 284, the Court found, are “merely the means by which the statute achieves its end of remedying infringements.”<sup>14</sup>

The majority distinguished prior decisions in which the substantive cause of action occurred abroad, whereas “the conduct relevant to the statutory focus in this case is domestic.” *Id.* at 6. In *WesternGeco*, the cause of action is the exportation of the components of the patented invention, and section 271(f)(2) focuses on the domestic act of exporting components from the United States.<sup>15</sup> The damages that flow from the act can occur outside the United States, in which case the patent owner can recover “lost foreign profits when the patent owner proves infringement under §271(f)(2).”<sup>16</sup>

#### *Dissent*

Justices Neil Gorsuch and Stephen Breyer dissented from the majority decision, arguing that “the Patent Act forecloses WesternGeco’s claim for lost profits”.<sup>17</sup> The dissent cautioned

that the majority's decision allows for a greater recovery when a defendant exports a patented component under section 271(f) than when it exports the entire invention under section 271(a).<sup>18</sup> The dissent reasoned that the majority's holding allowed a party to "conver[t] a single act of supply from the United States into a springboard for liability." *Id.* (quoting *Microsoft Corp. v AT&T Corp.*, 550 U.S. 437, 456 (2007)). The dissent further noted the imbalance of the outcome, enabling WesternGeco to recover US\$93.4 million in lost profits from 10 foreign surveys in which the infringing system was used, compared with only US\$12.5 million in a reasonable royalty from 2,500 US-made products that were exported. *Id.* The dissent also worried that the majority decision would invite foreign courts to apply foreign patent laws extraterritorially, to capture lost profits based on US sales of products that infringe *foreign* patents, for example when components manufactured overseas are imported into the United States.<sup>19</sup>

### *Analysis*

The Court's decision in *WesternGeco* is, on its face, expressly limited to infringement under section 271(f)(2). The scope of the decision may be the subject of future cases, including cases involving infringement under section 271(f)(1). The decision does not eliminate general principles of extraterritoriality, or expressly address damages that can be recovered under section 271(a). Indeed, both the majority and the dissent recognised that WesternGeco's claim for foreign lost profits does not "offend the judicially created presumption against the extraterritorial application of statutes."<sup>20</sup> The dissent, however, asserted that the *Patent Act* itself prohibited an award of such profits. The majority opinion expressly acknowledged the Federal Circuit's decision prohibiting recovery of foreign lost profits for infringement under section 271(a) in *Power Integrations* and did not contradict or overrule it, but instead deemed it inapplicable in the context of section 271(f)(2).

*WesternGeco* is likely to renew the focus on the intent of the *Patent Act* to place patent owners "in as good a position as [they] would have been in had the infringer not infringed".<sup>21</sup> While damages theories will continue to focus on domestic infringement, *WesternGeco* holds that – at least under section 271(f) – damages and liability are not subject to the same extraterritoriality analysis. It remains to be seen whether *WesternGeco* will lead to the erosion of other limits on the scope of recoverable damages, or whether patentees may cite this decision more broadly in seeking to tie foreign damages to domestic acts of patent infringement.

Conversely, alleged infringers are likely to seize upon footnote 3 of the majority opinion. In that footnote, Justice Thomas expressly clarified that the majority declined to "address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases".<sup>22</sup> Accordingly, disputes concerning causation and proximate

cause seem likely in future cases. Meanwhile, other general principles – including the statutory presumption against extraterritoriality – will continue to apply based on the facts and law of each case.

### ***USPTO updates guidance leading to more favourable consideration of patent eligibility***

On 19 April 2018, the United States Patent & Trademark Office ("USPTO") issued a memorandum that explains the circumstances under which an examiner can conclude that technology is "well-understood, routine, and conventional", a consideration used in assessing subject matter eligibility in accordance with the Court of Appeals for the Federal Circuit's decision in *Berkheimer v HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).<sup>23</sup> The memorandum notes that "unless careful consideration is given to the particular contours of subject matter eligibility (35 U.S.C. §101), it could swallow all of patent law".<sup>24</sup>

In *Berkheimer*, the Federal Circuit established that allegations of a claim reciting well-understood, routine and conventional steps must be accompanied by concrete evidence that the steps are indeed "well-understood, routine, and conventional to a skilled artisan".<sup>25</sup> Further, the Federal Circuit also recognised that the evidence proving that a technology is well-understood must go beyond what was simply known in the prior art because "the mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional".

The memorandum notes that while the *Berkheimer* decision did not change the basic subject matter eligibility framework, it did provide clarification that the examiner should conclude that an element represents well-understood, routine and conventional activity *only* when the examiner can readily conclude that the element is "widely prevalent or in common use in the relevant industry". Accordingly, the memo notes that the examiners, when formulating rejections, must provide express written support when alleging that additional element(s) are indeed well-understood, routine, and conventional.

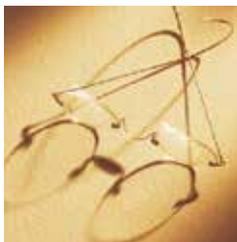
The memorandum explains the impact of such analysis on examination procedure in formulating rejections and evaluating the applicant's response. For illustrative purposes, the memorandum provides four examples of proper express written support for rejecting a claim where one or more claim elements are well-understood, routine and conventional. First, the memorandum encourages the examiners to cite "an express statement in the specification" or "a statement made by [the] applicant" that demonstrates the well-understood nature of a claimed element. The memorandum warns examiners that such allegation cannot be solely based on the fact that the specification is silent with respect to describing that particular element. Second, the memorandum allows the examiners to rely on previous court decisions that have discussed the well-understood,

conventional or routine nature of the additional elements. The USPTO maintains a listing of such cases on its website. Third, the memorandum requires the examiners to cite to a publication that demonstrates the well-understood, routine or conventional nature of the additional elements. For example, an appropriate publication could include a book, manual, article or other source that describes the state of the art and discusses what is well known. However, the memorandum warns examiners that, to avoid gamesmanship, “merely finding the additional elements in a single patent or published application would not be sufficient to demonstrate that the additional element is well-understood understood, routine, conventional, unless the patent or published application demonstrates that the additional element are widely prevalent or in common use in the relevant field”.<sup>26</sup> Fourth, the memorandum allows examiners to take official notice of the well-understood, conventional or routine nature of the additional elements. However, the USPTO cautions the examiners that “this option should be used only when an examiner is certain, based on upon his or her personal knowledge, that additional element(s) represent well-understood, routine, or conventional activity engaged in by those in the relevant art”.<sup>27</sup>

With respect to evaluating the applicant’s response, the memorandum requires the examiners to re-evaluate their rejections for patent ineligibility when the applicants challenge those rejections on the grounds that the additional element(s) are not well-understood, routine and conventional activity. For example, if the applicant challenges the examiner’s official notice that an element or elements are not well-understood, routine and conventional activities, then the examiner must provide (i) a citation to “an express statement in the specification” or “a statement made by [the] applicant” that demonstrates the well-understood nature of a claimed element, (ii) a citation to previous court decisions that have discussed the well-understood, conventional or routine nature of the additional elements, (iii) a citation to a publication that demonstrates the well-understood, routine or conventional nature of the additional elements, or (iv) an affidavit or declaration under 37 CFR 1.104(d)(2) setting forth specific factual statements and explanation to support the applicant’s position. If the examiner is unable to provide any of these responses, then the additional element(s) should be deemed as not well-understood, routine and conventional activity.

The memorandum appears to shift a burden in the patent eligibility analysis such that examiners can no longer reach a conclusion that elements are well-understood, routine and conventional without any evidentiary support. Examiners now need to demonstrate exactly how certain elements are well known, routine and conventional in order to sustain the patent eligibility rejections, rather than merely reciting that principle in a conclusory fashion or relying on a prior art without further explanation.

- 1 Innovation, Science and Economic Development Canada, *Intellectual Property Strategy*, April 2018 <<https://www.ic.gc.ca/eic/site/108.nsf/eng/home>> (accessed 8 August 2018).
- 2 *Oil States Energy Servs., LLC v Green’s Energy Grp., LLC*, 584 U.S.(2018).
- 3 *SAS Inst. Inc. v Iancu*, 584 U.S. (2018).
- 4 Ryan Davis , “The Road To Oil States: How AIA Reviews Got To The Justices” *Law 360*, 12 July 12, 2017. <<https://www.law360.com/articles/942800/the-road-to-oil-states-how-aia-reviews-got-to-the-justices>> (accessed 10 August 2018).
- 5 *Oil States v Energy Serv., LLC v Green’s Energy Grp. LLC*, 584 U.S. (2018) at 7 (citing *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U. S. 24, 40 (1923)).
- 6 *Oil States v Energy Serv., LLC v Green’s Energy Grp. LLC*, 584 U.S. (2018) at 10–11.
- 7 *Oil States v Energy Serv., LLC v Green’s Energy Grp. LLC*, 584 U.S. (2018) dissent at 1, 10, and 12.
- 8 *Oil States v Energy Serv., LLC v Green’s Energy Grp. LLC*, 584 U.S. (2018) at 2.
- 9 See 35 U.S.C. § 318(a).
- 10 *Oil States v Energy Serv., LLC v Green’s Energy Grp. LLC*, 584 U.S. (2018) at 11 (discussing *Chevron U. S. A. Inc. v. Nat. Res. Def. Council, Inc.*, 467 U. S. 837 (1984)).
- 11 *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013) at 1350.
- 12 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 7-8, 10.
- 13 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 6 (quoting *General Motors Corp., Devex Corp.*, 461 U.S. 648, 655 (1983)).
- 14 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 8.
- 15 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 7.
- 16 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 9.
- 17 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011. Dissent at 1.
- 18 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011. Dissent at 7.
- 19 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011. Dissent at 8.
- 20 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011. Dissent at 1.
- 21 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 9 (quoting *General Motors*, 461 U.S. at 655).
- 22 *WesternGeco LLC v ION Geophysical Corp.*, No. 16-1011 at 9, n 3.
- 23 See generally, USPTO memorandum titled “Changes in Examination Procedure Pertaining to Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*)” published on 19 April 2018, available at <<https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF>> (“Berkheimer Memo”).
- 24 Request for Comments on Determining Whether a Claim Element is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility, Docket No. PTO-P-2018-0033 at 4 (18 April 2018) (citing *Alice Corp. v CLS Bank International*, 573 U.S.134 S.Ct. 2347, 2352 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (2012)).
- 25 See Federal Circuit requires more evidence before invalidating patents as ineligible under 35 U.S.C. § 101, available at <<https://www.dentons.com/en/insights/alerts/2018/february/21/federal-circuit-requires-more-evidence-before-invalidating-as-ineligible>>.
- 26 Berkheimer Memo at 4.
- 27 Berkheimer Memo at 4.



# Expressions of Interest

are invited from IP lawyers and writers  
to contribute to the Profile Section of  
*Intellectual Property Forum*

Since 1997, *Intellectual Property Forum* has featured regular interviews with a range of eminent persons who have made a significant contribution to the advancement of Intellectual Property Law in Australia and New Zealand.

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**Initial enquiries or expressions of interest to contribute a Profile are most welcome, and may be directed to:**

The Editors  
c/o National Secretariat  
The Intellectual Property Society  
of Australia and New Zealand Inc.  
GPO Box 2491  
Melbourne Victoria 3001  
Australia

Telephone: (+61 3) 9761 2833  
Facsimile: (+61 3) 97612899  
Email Address: [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au).



# 32nd IPSANZ Annual Conference

7-9 September 2018



This year's conference is to be held at the Hilton Queenstown Resort and Spa, New Zealand, situated on the shores of Lake Wakatipu with panoramic mountain views.

## CONFERENCE PROGRAM

### Friday, 7 September 2018

3:30 pm – 6:30 pm

#### Registration

4.45 pm – 5.45 pm

#### In-house Panel Session

Life in the Real World: The Role of In-house IP Advisors

Speakers:

**Andrew Davey**, Intellectual Property Manager, Fisher & Paykel Healthcare, Auckland

**Andrew Morton**, Intellectual Property Manager, BlueScope Steel, Port Kembla

Chairperson:

Susan McMaster, Senior Legal Counsel, CSIRO, Melbourne

6:00 pm – 8:00 pm

#### Welcome drinks

### Saturday, 8 September 2018

8:45 am – 9:15 am

#### Registration and Arrival Tea and Coffee

9:15 am – 10:30 am

#### Session 1

##### International Speaker

Censorship in the Guise of Intellectual Property: Harmonizing Copyright, Trademark and Free Speech

**The Honourable Judge M. Margaret McKeown**

United States Court of Appeals for the Ninth Circuit

Chairperson:

Sheana Wheeldon, Barrister, Quay Chambers, Auckland

10:30 am – 11:00 am

### **Morning Tea**

11:00 am – 12:15 pm

### **Session 2 Patent Session**

Sufficiency or full description: how much is too much?

Speakers:

**Christian Dimitriadis SC**, Barrister, Nigel Bowen Chambers, Sydney  
**Andrew Scott**, Senior Associate, James & Wells, Christchurch

Chairperson:

Kate Hay, Partner, Corrs Chambers Westgarth, Melbourne

12:15 pm – 1:15 pm

### **Lunch**

1:15 pm – 2:30 pm

### **Session 3 Copyright Session**

The willing licensee and the willing licensor – a sound imagination and the broad axe

Speakers:

**Colin Golvan AM QC**, Barrister, List G, Melbourne  
**Ian Gault**, Partner, Bell Gully, Auckland

Chairperson:

Rachel Colley, Partner, Create IP, Auckland

2:30 pm – 3:00 pm

### **Afternoon Tea**

3:00 pm – 4:15 pm

### **Session 4 Trade Marks Session**

Clinics and crocodiles: insights into substantial identity

Speakers:

**Professor Michael Handler**, University of New South Wales, Sydney  
**Julian Miles QC, Barrister**, Shortland Chambers, Auckland

Chairperson:

Siobhan Ryan, Barrister, List G, Melbourne

6:30 pm

### **President's Dinner**

After Dinner Speaker:

**Michèle A'Court**

Michèle has forged a successful career as a stand-up comedian, corporate entertainer, actor, voice artist and writer.

**Sunday, 9 September 2018**

9:00 am – 10:30 am

**Session 5  
Judges Session**

Speakers:

**The Honourable Justice John Middleton**, Federal Court of Australia

**The Honourable Robert French AC**, former Chief Justice of the High Court of Australia

**The Honourable Justice Raynor Asher**, Court of Appeal, New Zealand

Chairperson:

Luke Merrick, Barrister, List G, Melbourne

10:30 am – 11:00 am

**Morning Tea**

11:00 am – 12:15 pm

**Session 6  
Remedies**

Practical issues in assessing damages or accounts of profits in IP cases:  
experts, evidence and approaches

Speakers:

**Owain Stone**, Partner, KordaMentha Pty Ltd, Melbourne

**Kevin Glover**, Barrister, Shortland Chambers, Auckland

**Angus Lang**, Barrister, Tenth Floor Selborne/Wentworth Chambers, Sydney

**Dr Stephen Downes**, Lecturer, RMIT University, Melbourne

Chairperson:

Kim O'Connell, Partner, King & Wood Mallesons, Sydney

12:15 pm – 2:00 pm

**Lunch and Close**

**For further information contact:**

The Intellectual Property Society of  
Australia and New Zealand Inc.

c/- Trans-Tasman National Secretariat  
GPO Box 2491  
Melbourne Victoria 3001  
Australia

Telephone: (61 3) 9761 2833

Facsimile: (61 3) 9761 2899

Email address: [ipsanz@ipsanz.com.au](mailto:ipsanz@ipsanz.com.au)

Web-site address: [www.ipsanz.com.au](http://www.ipsanz.com.au)

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